



THEMBELIHLE

**LOCAL MUNICIPALITY
PLAASLIKE MUNISIPALITEIT
U-MASIPALA WASEKUHALENI**

ANNUAL BUDGET

2017/2018



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GLOSSARY

Adjustments Budgets – Prescribed in section 28 of the Municipal Finance Management Act. It is the formal means by which a municipality may revise its budget during a financial year.

Allocations – Money received from Provincial and National Treasury.

Budget – The financial plan of a municipality.

Budget related policy – Policy of a municipality affecting or affected by the budget. Examples include traffic policy, rated policy and credit control and debt policy.

Budget Steering Committee – Committee established to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the MFMA.

Capital Expenditure – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality, and the month end balances of cash and short term investments. Cash receipts and payments do not always coincide with budgeted income and expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month that the services or goods are received, even though it may not be paid in the same period.

CPI – Headline Consumer Price Index

DORA – Division of Revenue Act. Annual legislation which shows the allocations from national to local government.

DoRb – Division of Revenue Bill. Annual legislation tabled in parliament, but not enacted, which shows the allocations from national to local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to assist municipalities with the costs of free basic services.

GFS – Government Finance Statistics. An internationally recognized classification system that facilitates comparisons between municipalities.

IDP – Integrated Development Plan. The main strategic planning document of a municipality.

KPI – Key Performance Indicators. Measures of service output and/or outcome.

MFMA – Municipal Finance Management Act (No 53 of 2003). The principal piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework as prescribed by the MFMA sets out indicative revenue and projected expenditure for the budget year plus two outer financial years to determine the affordability level thereof. It effectively represents a municipality's medium term financial plan.

NT – National Treasury

Operating Expenditure – Spending on the day to day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance.

Rates – Local Government tax based on assessed valuation of a property.

TMA – Total Municipal Account

SCM – Supply Chain Management

SDBIP – Service Delivery Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

SFA – Strategic Focus areas: The main priorities of a municipality as set out in the IDP. Budgeted spending must contribute towards achievement of these strategic focus areas.

Vote – One of the main segments into which a budget is divided, usually at directorate level

MAYORAL BUDGET SPEECH

Councilors,
Compatriots and friends,
Municipal Manager, CFO, the management team and all officials of the municipality
Community leaders
Ward committee members
Honored guests
Residents of Thembelihle,

Introduction

I am humbled by the honor to address you as I present the Integrated Development Plan and Annual Budget of Thembelihle Local Municipality for the 2017/18 Medium Term Revenue and Expenditure Framework period. The very first budget that myself as the new mayor of the municipality, together with the new council are tabling. This is the most critical time of our tenure as council as it sets the tone for the next 5 years.

“The core services that local government provides - clean drinking water, sanitation, electricity, waste removal and roads - are basic human rights, essential components of the right to dignity enshrined in our Constitution and Bill of Rights. Local government is where most citizens interface with government, and its foundational ethos must be about serving people.

Local government has been a primary site for the delivery of services in South Africa since 1994. We have made tremendous progress in delivering water, electricity, sanitation and refuse removal at a local level. These rates of delivery are unprecedented in world-wide terms.

Yet despite our delivery achievements, it is clear that much needs to be done to support, educate and where needed, enforce implementation of local governments mandate for delivery. The transformation of the local government sector remains a priority for us as the new council.

mSCOA – Municipal Standard Chart of Accounts

Councilors, allow me to get into what shall be the focus of our work and the direction in which our efforts need to be focused over and above service delivery. As some of you might be well aware, there is a new initiative in process throughout the Republic South Africa called, Municipal Standard Chart of Accounts, commonly referred to as mSCOA.

mSCOA was introduced by the National Treasury to provide a uniform and standardized financial transaction classification framework. The primary objective of mSCOA is to achieve an acceptable level of uniformity and quality from the collection of data. The data is then used to compile both budgets and financial statements. mSCOA therefore prescribes the method and format that municipalities should record and classify all their expenditure, revenue, liabilities, equity and assets policy.

mSCOA is divided into 7 segments and they are:

Funding – describes which source of funding will be used for transactions and from which source revenue is received

Function – the function/sub-function against which transactions are recorded

Item – describes the nature of transactions to be recorded (asset, liability, revenue, expenditure or gain/loss)

Projects – describes the projects to which transactions are related

Costing – impact of the transaction on the secondary costing

Region – describes the region of the municipality to which the transaction relates

Classification – describes the votes or sub-votes to which each transaction is to be recorded.

Colleagues, I am specifically mentioning this to you as the deadline for compliance with all of the above is 1 July 2017 and every municipality in the country is legislatively required to be in compliance by this date.

The main reasons why National Treasury introduced mSCOA at local government level are as follows:

- There are inconsistencies in financial classifications by municipalities;
- Poor data integrity (validity, accuracy and completeness of municipal data was in most cases questionable); and
- Irregular submission of reports to regulatory bodies/organizations.

This lead to difficulty in decision making by regulatory bodies and policy makers and ultimately leading to unnecessary tension at customer level.

Challenges faced by Thembelihle Local Municipality

It is a well-known fact that our municipality is currently facing challenges with regards to staff and the cash flow of the municipality leaves much to be desired. We as council and the administration, can are making a concerted effort to steer the municipality to address these challenges and with the continued commitment of all Councilors and dedication of the staff we will surely overcome them to ensure the financial viability and sustainability of the municipality.

I wish to highlight the fact that one of the biggest problems in our municipality is the collection of debt and this problem needs to be addressed with stringent measures and programmes which, if implemented correctly, can ease the pressure on the cash flow of the municipality. As a basic rule, for every expense incurred, there must be a corresponding revenue stream to fund that expenditure.

Good governance

Good governance is at the heart of the effective functioning of any organization and we as a municipality need to adhere to the same principles. These simple basics should be carried out by all of us:

- The holding of Council meetings as legislated;
- The functionality of s79 committees;
- The existence and efficiency of Anti-Corruption measures;
- The extent to which there is compliance with legislation and enforcement of by- laws; and
- The rate of service delivery protests and approaches to address them.

Public Participation

We as a municipality must develop affordable and efficient communication systems to communicate regularly with communities and disseminate urgent information. The basic measures to be monitored:

- The existence of the required number of functional Ward committees.
- The number of effective public participation programmes conducted by Councilors.
- The regularity of community satisfaction surveys carried out.

Financial Management

Sound financial management is integral to the success of Thembelihle. National Treasury has legislated standards and reporting requirements that municipalities should adhere to. Performance against the following basic indicators to be monitored regularly:

- The number of disclaimers in the last three to five years.
- Whether the budgets are realistic and based on cash available.
- The percentage revenue collected.
- The extent to which debt is serviced.
- The efficiency and functionality of supply chain management.

With that said, there are a number of key figures that I would like to emphasize:

- The Capital Budget decreased from about R15,3 million from the previous year to R14 million;
- Projected revenue being R67.5 million and expenditure being R65.8 million
- The budget will also indicate that tariffs have increased by a base line increase of 6.1% for the year coming and for Electricity, which increased by an overall 12.4% which is as per notice from the National Energy Regulator of South Africa. All budget related National Treasury MFMA Circulars were taken into account when compiling the budget.
- The budget book contains the details in the outer years of the medium term revenue and expenditure framework which in essence maintain this trend.

Our major cost drivers reflect as follows:

Employee Cost:	R 26,9 million
Remuneration of councilors:	R2,6 million
Operating Cost:	R 65,8 million
Capital Cost:	R 14 million
Depreciation:	R 8,2 million

Our Major Revenue Sources that we anticipate:

Grants & Subsidies – operating transfers & grants from national	R 24,7 million
Grants & Subsidies – operating transfers & grants from provincial	R1,2m
Income Generated	R 41,4 million
Capital Funding	R 14 million

The total capital budget is funded as follows:

National Government	R 14 million
TOTAL SOURCE	R 14 million

During the Financial Year of 2017/2018 major capital projects that we anticipate to actively progress with and work towards completion are as follows:

- Steynville: Outfall Sewer) (MIG)
- Steynville: Upgrading of roads (MIG)
- Deetlisville upgrading of roads (MIG)
- VIP Toilets (from WSIG)

Councilors, the Annual recommendations of this budget will be dealt with when the budget is presented to Council for adoption.

Conclusion

Having worked together with our communities, we will strive to continue to do so.

We remain strongly committed to the principles of accountability, transparency, good governance, proper financial management and effective internal control systems. It is through our collective wisdom and unity of purpose that we can serve our communities much better.

I hereby table the Budget/IDP 2017/18 for adoption.

I thank you.

Cllr B Mpamba
Mayor
Thembelihle Local Municipality

3 RESOLUTION

**Minutes of a General Council Meeting that took place the 30 May 2017 at the Council Chambers
Hopetown at 10:00 (To be included after the meeting)**

4 EXECUTIVE SUMMARY

The 2017/2018 MTREF budget has been developed with an overall planning framework and includes programmes and projects to achieve the municipality's strategic objectives. Municipal revenues and cash flows are expected to remain under pressure in 2017/18 due to the state of the economy; hence a conservative approach has been adopted when projecting expected revenues and receipts.

The challenge to produce a sustainable, affordable budget necessitated reductions to certain budgetary provisions. National Treasury MFMA Budget related Circulars and related correspondence clearly prescribe that a budget must be realistic, sustainable and relevant; and must be fully funded. To comply with these prescribes, it is a requirement that the municipality must produce a positive cash flow budget for the 2017/2018 financial year. This was no mean feat to achieve which resulted in having to apply a very conservative approach during the budget process.

The MTREF is a financial plan that enables the municipality to achieve its vision and mission through the IDP Strategy which is informed by the development agenda and community/stakeholder inputs.

The budget serves to bring to light the current council developmental priorities as outlined below:

- Poverty reduction, job-creation, rural and economic development
- Financial sustainability
- Spatial development and the built environment
- Human settlements
- Social and community services
- Good governance

National Treasury's MFMA Circular Nos. 79 & 85 was used to guide the compilation of the 2017/18 MTREF. In addition, this budget format and content incorporates the requirements of the Municipal Budget and Reporting Regulations.

The following budgeting PRINCIPLES were applied in formulating the medium term budget:

- Sustainable, affordable, realistic and balanced budget
- Budget to contribute to achieving strategic objectives of the IDP
- Tariffs to be cost reflective, realistic and affordable
- Income/ Revenue driven budget: affordability i.e. if funds do not materialize review expenditure
- Realistic and achievable collection rates

The main CHALLENGES experienced during the compilation of the 2017/18 MTREF can be summarized as follows:

- The growing debt to Eskom;
- Limited resources and minimal growth in the rates base;

- Major strain on capital budget due to increased demand and eradication of backlogs.
- Unemployment: sustaining existing collection rates.

The MFREF-based revenue and expenditure projections assumed inflation-linked annual adjustments between 6.4% and 5,8% respectively for the 3-year budget period of 2017/2018, 2018/2019 and 2019/2020.

Further key parameters applied to the Municipality's financial framework included the following for the 2017/2018 financial year:

Revenue / tariff increases

- | | |
|----------------------------------|--------------------------------|
| • Rates | 6.1% |
| • Electricity | 12.4% |
| • Water | 6.1% |
| • Sanitation | 6.1% |
| • Refuse | 6.1% |
| • Salaries and Wages adjustments | 7.1% (Annual CPI 6.1% plus 1%) |
| • General Expenses | 6.1% |

Our major cost drivers reflect as follows:

- | | |
|-------------------------------|----------------|
| • Employee Cost: | R 26,9 million |
| • Remuneration of councilors: | R2,6 million |
| • Operating Cost: | R 65,8 million |
| • Capital Cost: | R 14 million |
| • Depreciation: | R 8,2 million |

Our Major Revenue Sources that we anticipate:

- | | |
|----------------------|----------------|
| • Grants & Subsidies | R 25,8 million |
| • Income Generated | R 41,4 million |
| • Capital Funding | R 14 million |

The budget has been prepared in terms of guidelines as contained in all budget related National Treasury Circulars and Guidelines issued. Budget related policies need to be revised or amended on a regular basis to ensure that the municipality has effective guidelines to ensure performance of their duties.

I hereby recommend that this 2017/2018 Annual budget presented to council will be adopted.




A. M. MUNICIPAL MOGALE
MANAGER

4 QUALITY CERTIFICATE

THEMBELIHLE MUNICPLAITY (NC076)

**Quality certificate in terms of Section 5 of the Municipal Budget Regulations;
Government Gazette 32141, 17 April 2009...**

I Abraham Mpho Mogale, Municipal Manager of Thembelihle Municipality hereby certify that the Annual Budget for 2017/18 and supporting documentation have been prepared in accordance with the Municipal Financial Management Act No 56 of 2003 and the regulations made under the Act and that the budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.



**ABRAHAM MPHO MOGALE
MUNICIPAL MANAGER**

ANNUAL BUDGET TABLES

The Budget schedules approved by resolution of Council:

Table 1 – Budget Summary

NC076 Thembelihle - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Financial Performance										
Property rates	2 289	2 599	3 137	3 578	7 523	7 523	7 523	7 571	8 018	8 483
Service charges	15 175	16 230	19 940	19 164	21 629	21 629	21 629	22 752	25 779	28 914
Investment revenue	663	391	180	333	570	573	573	590	625	661
Transfers recognised - operational	24 215	22 424	23 052	24 032	24 032	31 443	31 443	26 023	28 451	30 322
Other own revenue	3 124	6 861	1 738	10 932	5 353	3 555	3 555	10 578	7 330	6 063
Total Revenue (excluding capital transfers and contributions)	45 465	48 504	48 046	58 039	59 107	64 723	64 723	67 514	70 204	74 442
Employee costs	18 712	22 188	25 518	25 125	27 392	30 147	30 147	26 961	28 837	30 818
Remuneration of councillors	1 949	2 498	2 524	3 004	2 682	2 159	2 159	2 640	2 818	3 007
Depreciation & asset impairment	8 221	8 936	8 142	7 782	8 142	8 142	8 142	8 256	8 744	9 251
Finance charges	1 086	3 476	680	680	859	1 274	1 274	541	573	606
Materials and bulk purchases	10 661	11 563	12 368	13 969	13 441	14 499	14 499	13 691	14 498	15 339
Transfers and grants	129	164	–	–	162	81	–	895	948	1 003
Other expenditure	13 343	19 971	18 967	13 041	14 687	12 165	12 165	12 818	13 700	14 459
Total Expenditure	54 101	68 796	68 199	63 600	67 365	68 467	68 386	65 802	70 118	74 483
Surplus/(Deficit)	(8 636)	(20 292)	(20 153)	(5 561)	(8 258)	(3 744)	(3 663)	1 713	85	(41)
Transfers and subsidies - capital (monetary allocated)	9 628	23 168	26 444	14 283	13 408	6 909	6 909	14 055	9 814	10 110
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	992	2 876	6 292	8 723	5 150	3 165	3 246	15 768	9 899	10 069
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	992	2 876	6 292	8 723	5 150	3 165	3 246	15 768	9 899	10 069
Capital expenditure & funds sources										
Capital expenditure										
Transfers recognised - capital	–	–	26 015	14 323	13 933	15 299	15 299	14 055	9 814	10 110
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	565	565	565	–	–	–
Total sources of capital funds	–	–	26 015	14 323	13 933	15 299	15 299	14 055	9 814	10 110
Financial position										
Total current assets	13 165	7 381	8 188	28 741	21 954	16 484	16 484	24 493	22 882	28 421
Total non current assets	217 569	229 723	239 015	244 962	244 602	244 810	244 810	252 744	253 259	254 656
Total current liabilities	46 427	50 789	61 429	42 537	42 553	32 919	32 919	62 506	38 651	38 651
Total non current liabilities	10 529	9 496	8 987	12 187	11 927	11 927	11 927	12 187	9 938	10 932
Community wealth/Equity	173 778	176 820	182 791	226 762	219 857	190 125	190 125	230 714	229 469	229 469
Cash flows										
Net cash from (used) operating	11 618	13 535	27 183	12 025	7 825	8 252	8 252	12 790	13 237	14 216
Net cash from (used) investing	(8 842)	(20 631)	(3 270)	(9 323)	(13 448)	(6 592)	(6 592)	(7 751)	(11 949)	(14 100)
Net cash from (used) financing	(572)	(1 044)	(1 044)	(270)	(270)	(1 051)	(1 051)	(270)	(270)	(270)
Cash/cash equivalents at the year end	8 863	723	23 591	12 384	4 546	792	792	4 769	5 787	5 633
Cash backing/surplus reconciliation										
Cash and investments available	8 863	723	3 261	12 424	8 520	3 457	3 457	8 176	4 135	6 120
Application of cash and investments	30 875	37 271	46 933	10 511	15 878	11 986	11 986	34 134	10 101	8 241
Balance - surplus (shortfall)	(22 012)	(36 549)	(43 672)	1 913	(7 358)	(8 529)	(8 529)	(25 958)	(5 966)	(2 121)
Asset management										
Asset register summary (WDV)	191 670	207 923	192 047	233 850	226 065	226 065	245 777	245 777	257 820	270 195
Depreciation	6 990	7 629	8 029	6 782	7 782	7 782	8 291	8 291	9 111	8 829
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	838	755	506	1 796	2 364	2 219	1 199	1 199	1 269	1 343
Free services										
Cost of Free Basic Services provided	–	–	–	1 731	–	–	–	–	–	–
Revenue cost of free services provided	596	376	356	1 732	3 423	3 423	3 462	3 462	3 667	3 879
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sew erage:	–	–	–	1	1	1	1	1	1	1
Energy:	–	–	–	2	2	2	2	2	2	2
Refuse:	–	–	–	–	–	–	–	–	–	–

Table 1: Budget Summary (Table A1)

Table 2 – Budgeted Financial Performance (Revenue and Expenditure by standard classification)

NC076 Thembelihle - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		21 020	25 104	28 008	28 711	28 498	49 510	34 867	33 799	34 315
Executive and council		15 397	17 596	20 157	16 490	16 760	28 544	17 242	19 035	20 278
Finance and administration		5 623	7 509	7 851	12 221	11 737	20 966	17 626	14 764	14 037
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		1 728	1 320	1 870	2 618	3 661	892	2 846	3 014	3 189
Community and social services		1 728	1 320	1 870	2 618	3 661	892	2 846	3 014	3 189
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		7 414	22 767	15 807	12 904	11 307	1 663	14 443	15 245	15 858
Planning and development		6 923	17 587	14 902	10 049	9 166	1 216	10 566	10 909	11 270
Road transport		491	5 180	904	2 855	2 141	448	3 877	4 336	4 588
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		24 931	22 481	31 731	31 164	29 248	20 370	34 625	38 367	42 242
Energy sources		11 409	10 279	11 127	12 768	12 776	12 319	15 562	17 379	19 406
Water management		9 728	8 817	16 459	12 231	8 977	3 554	11 125	12 197	13 384
Waste water management		2 484	2 150	2 731	4 042	4 913	2 948	5 159	5 713	6 045
Waste management		1 310	1 236	1 415	2 122	2 582	1 549	2 779	3 077	3 408
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	55 093	71 673	77 415	75 397	72 713	72 436	86 781	90 425	95 605
Expenditure - Functional										
<i>Governance and administration</i>		22 056	32 853	32 269	25 369	28 996	51 124	30 672	32 209	33 947
Executive and council		6 154	7 301	7 857	6 131	5 863	7 627	8 832	9 403	10 001
Finance and administration		15 902	25 551	24 412	19 238	23 133	43 497	21 839	22 806	23 946
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		1 466	1 270	1 541	1 884	2 133	2 168	2 417	2 620	2 843
Community and social services		1 466	1 270	1 541	1 884	2 133	2 168	2 417	2 620	2 843
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		11 793	13 160	12 965	11 604	12 527	10 627	12 072	12 741	13 375
Planning and development		9 905	11 614	11 128	9 959	10 632	8 237	10 317	10 872	11 386
Road transport		1 888	1 547	1 838	1 645	1 895	2 391	1 755	1 869	1 989
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		18 657	21 350	23 355	27 817	27 240	9 352	28 440	29 919	31 464
Energy sources		9 145	10 804	14 105	15 955	14 747	1 534	16 133	16 968	17 838
Water management		4 802	7 082	5 905	6 593	6 108	5 316	6 889	7 254	7 637
Waste water management		2 157	2 009	2 023	2 995	3 217	1 099	3 016	3 171	3 332
Waste management		2 552	1 455	1 322	2 275	3 168	1 403	2 402	2 527	2 658
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	53 973	68 633	70 130	66 675	70 896	73 271	73 601	77 489	81 629
Surplus/(Deficit) for the year		1 120	3 040	7 285	8 722	1 818	(835)	13 180	12 936	13 976

Table 2: Budget Summary (Table A2)

Table 3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)

NC076 Thembelihle - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Revenue by Vote	1									
Vote 1 - Executive Council		15 397	17 596	20 157	16 490	16 760	18 676	17 242	19 035	20 278
Vote 2 - Budget & Treasury		5 023	5 593	6 764	6 388	10 251	8 022	11 041	11 809	12 603
Vote 3 - Corporate Service		600	1 916	1 087	5 832	1 486	1 123	6 585	2 955	1 434
Vote 4 - Community & Social Service		1 728	1 320	1 870	2 618	3 661	937	2 846	3 014	3 189
Vote 5 - Public Safety		-	-	-	-	-	-	-	-	-
Vote 6 - Planning & Development		6 923	17 587	14 902	10 049	9 166	10 311	10 566	10 909	11 270
Vote 7 - Road Transport		491	5 180	904	2 855	2 141	2 231	3 877	4 336	4 588
Vote 8 - Electricity		11 409	10 279	11 127	12 768	12 776	12 149	15 562	17 379	19 406
Vote 9 - Water		9 728	8 817	16 459	12 231	8 977	16 459	11 125	12 197	13 384
Vote 10 - Waste Water Management		2 484	2 150	2 731	4 042	4 913	2 780	5 159	5 713	6 045
Vote 11 - Waste Management		1 310	1 236	1 415	2 122	2 582	1 450	2 779	3 077	3 408
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	55 093	71 673	77 415	75 397	72 713	74 139	86 781	90 425	95 605
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive Council		6 154	7 301	7 857	6 131	5 863	7 627	8 832	9 403	10 001
Vote 2 - Budget & Treasury		10 617	17 868	17 858	13 542	15 715	27 064	15 255	15 938	16 706
Vote 3 - Corporate Service		5 285	7 683	6 554	5 696	7 418	6 272	6 585	6 868	7 239
Vote 4 - Community & Social Service		1 443	1 253	1 541	1 849	2 098	1 425	2 380	2 581	2 801
Vote 5 - Public Safety		23	17	30	35	35	18	37	40	42
Vote 6 - Planning & Development		9 905	11 614	11 097	9 959	10 632	11 093	10 317	10 872	11 386
Vote 7 - Road Transport		1 888	1 547	1 838	1 645	1 895	2 787	1 755	1 869	1 989
Vote 8 - Electricity		9 145	10 804	14 105	15 955	14 747	14 171	16 133	16 968	17 838
Vote 9 - Water		4 802	7 082	5 905	6 593	6 108	5 896	6 889	7 254	7 637
Vote 10 - Waste Water Management		2 157	2 009	2 023	2 995	3 217	2 094	3 016	3 171	3 332
Vote 11 - Waste Management		2 552	1 455	1 322	2 275	3 168	2 234	2 402	2 527	2 658
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	53 973	68 633	70 130	66 675	70 896	80 682	73 601	77 489	81 629
Surplus/(Deficit) for the year	2	1 120	3 040	7 285	8 722	1 818	(6 543)	13 180	12 936	13 976

Table 3: Budgeted Financial Performance (revenue and expenditure by municipal vote) (Table A3)

Table 4 – Budgeted Financial Performance (revenue and expenditure)

NC076 Thembelihle - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description		Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source												
Property rates	2		2 289	2 599	3 137	3 578	7 523	7 523	7 523	7 571	8 018	8 483
Service charges - electricity revenue	2		8 729	10 795	12 106	11 746	12 193	12 193	12 193	13 261	14 934	16 816
Service charges - water revenue	2		3 007	2 070	3 742	5 062	3 885	3 885	3 885	5 604	6 347	7 186
Service charges - sanitation revenue	2		2 245	2 250	2 696	1 597	3 613	3 613	3 613	2 572	2 973	3 146
Service charges - refuse revenue	2		1 193	1 115	1 396	759	1 939	1 939	1 939	1 314	1 526	1 767
Service charges - other						–	–	–	–	–	–	–
Rental of facilities and equipment			304	433	835	325	635	929	929	802	849	898
Interest earned - external investments			663	391	180	333	570	573	573	590	625	661
Interest earned - outstanding debtors			785	808	–	580	331	331	331	510	540	571
Dividends received						–	–	–	–	–	–	–
Fines, penalties and forfeits			924	3 879	620	2 571	1 857	34	34	3 580	4 022	4 255
Licences and permits			253	213	283	287	664	191	191	301	319	337
Agency services						–	82	286	286	80		
Transfers and subsidies			24 215	22 424	23 052	24 032	24 032	31 443	31 443	26 023	28 451	30 322
Other revenue	2		674	1 527	–	2 169	1 785	1 785	1 785	–	–	–
Gains on disposal of PPE			183			5 000	–			5 305	1 600	
Total Revenue (excluding capital transfers and contributions)			45 465	48 504	48 046	58 039	59 107	64 723	64 723	67 514	70 204	74 442
Expenditure By Type												
Employee related costs	2		18 712	22 188	25 518	25 125	27 392	30 147	30 147	26 961	28 837	30 818
Remuneration of councillors			1 949	2 498	2 524	3 004	2 682	2 159	2 159	2 640	2 818	3 007
Debt impairment	3		4 483	6 690	1 516	4 012	4 243	274	274	4 012	4 507	4 769
Depreciation & asset impairment	2		8 221	8 936	8 142	7 782	8 142	8 142	8 142	8 256	8 744	9 251
Finance charges			1 086	3 476	680	680	859	1 274	1 274	541	573	606
Bulk purchases	2		9 572	10 372	11 805	12 133	12 133	12 133	12 133	12 488	13 225	13 992
Other materials	8		1 089	1 191	563	1 836	1 309	2 366	2 366	1 203	1 274	1 347
Contracted services			64	92	51	221	1 775	1 775	1 775	577	611	647
Transfers and subsidies			129	164	–	–	162	81	–	895	948	1 003
Other expenditure	4, 5		8 796	12 998	17 166	8 807	8 668	10 116	10 116	8 229	8 581	9 044
Loss on disposal of PPE				193	235			–				
Total Expenditure			54 101	68 796	68 199	63 600	67 365	68 467	68 386	65 802	70 118	74 483
Surplus/(Deficit)			(8 636)	(20 292)	(20 153)	(5 561)	(8 258)	(3 744)	(3 663)	1 713	85	(41)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			9 628	23 168	26 444	14 283	13 408	6 909	6 909	14 055	15 110	15 715
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions			992	2 876	6 292	8 723	5 150	3 165	3 246	15 768	15 195	15 675
Taxation												
Surplus/(Deficit) after taxation			992	2 876	6 292	8 723	5 150	3 165	3 246	15 768	15 195	15 675
Attributable to minorities												
Surplus/(Deficit) attributable to municipality			992	2 876	6 292	8 723	5 150	3 165	3 246	15 768	15 195	15 675
Share of surplus/ (deficit) of associate	7											
Surplus/(Deficit) for the year			992	2 876	6 292	8 723	5 150	3 165	3 246	15 768	15 195	15 675

Table 4: Budgeted Financial Performance (revenue and expenditure) (Table A4)

Table 5 – Budgeted Capital Expenditure by vote, standard classification and funding

NC076 Thembelihle - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Service		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community & Social Service		-	-	-	-	-	-	-	-	-	-
Vote 5 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 6 - Planning & Development		7 683	387	8 825	8 567	7 692	7 692	7 692	9 055	9 814	10 110
Vote 7 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 8 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 9 - Water		-	-	-	-	565	565	565	-	-	-
Vote 10 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Management		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	7 683	387	8 825	8 567	8 257	8 257	8 257	9 055	9 814	10 110
Single-year expenditure to be appropriated	2										
Vote 1 - Executive Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury		13	451	-	40	(40)	-	(40)	-	-	-
Vote 3 - Corporate Service		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community & Social Service		205	-	-	-	-	-	-	-	-	-
Vote 5 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 6 - Planning & Development		-	29	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 8 - Electricity		1 081	1 054	-	-	-	-	-	1 000	-	-
Vote 9 - Water		1 274	18 683	12 647	5 716	5 716	5 716	5 716	4 000	-	-
Vote 10 - Waste Water Management		682	11	-	-	-	-	-	-	-	-
Vote 11 - Waste Management		11	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		3 265	20 228	12 647	5 756	5 676	5 716	5 676	5 000	-	-
Total Capital Expenditure - Vote		10 948	20 614	21 471	14 323	13 933	13 973	13 933	14 055	9 814	10 110
Capital Expenditure - Functional											
Governance and administration		-	-	-	40	(40)	-	-	-	-	-
Executive and council											
Finance and administration					40	(40)	-				
Internal audit											
Community and public safety		-	-	-	-	-	-	-	-	-	-
Community and social services											
Sport and recreation											
Public safety											
Housing											
Health											
Economic and environmental services		-	-	13 369	8 567	7 692	9 018	9 018	9 055	9 814	10 110
Planning and development				13 369	8 567	7 692	9 018	9 018	9 055	9 814	10 110
Road transport											
Environmental protection											
Trading services		-	-	12 647	5 716	6 281	6 281	6 281	5 000	-	-
Energy sources									1 000		
Water management				12 647	5 716	6 281	6 281	6 281	4 000		
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Functional	3	-	-	26 015	14 323	13 933	15 299	15 299	14 055	9 814	10 110
Funded by:											
National Government				26 015	14 323	13 368	14 734	14 734	14 055	13 549	14 100
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	-	-	26 015	14 323	13 368	14 734	14 734	14 055	13 549	14 100
Public contributions & donations	5										
Borrowing	6										
Internally generated funds						565	565	565			
Total Capital Funding	7	-	-	26 015	14 323	13 933	15 299	15 299	14 055	13 549	14 100

Table 5: Budget Capital Expenditure by vote, standard classification and funding (Table A5)

Table 6 – Budgeted Financial Position

NC076 Thembelihle - Table A6 Budgeted Financial Position

Description		Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS												
Current assets												
Cash			8 863	723	3 261	12 424	8 520	3 457	3 457	8 176	4 135	6 120
Call investment deposits	1		–	–	–	–	–	–	–	–	–	–
Consumer debtors	1		2 749	2 981	4 190	12 688	9 805	9 805	9 805	12 688	15 094	16 930
Other debtors			1 409	3 676	689	3 579	3 579	3 221	3 221	3 579	3 579	5 296
Current portion of long-term receivables												
Inventory	2		145	2	49	50	50	2	2	50	75	75
Total current assets			13 165	7 381	8 188	28 741	21 954	16 484	16 484	24 493	22 882	28 421
Non current assets												
Long-term receivables			439	455	457	460	460	469	469	460	460	681
Investments							–					
Investment property			7 077	7 729	7 675	7 729	7 729	7 729	7 729	7 729	7 729	7 806
Investment in Associate												
Property, plant and equipment	3		209 779	221 339	230 614	236 773	236 413	236 413	236 413	244 555	245 070	246 169
Agricultural												
Biological												
Intangible			275	200	269			200	200			
Other non-current assets												
Total non current assets			217 569	229 723	239 015	244 962	244 602	244 810	244 810	252 744	253 259	254 656
TOTAL ASSETS			230 735	237 105	247 203	273 703	266 556	261 295	261 295	277 237	276 141	283 076
LIABILITIES												
Current liabilities												
Bank overdraft	1											
Borrowing	4		698	1 087	913	270	286	286	286	270	270	270
Consumer deposits			476	474	523	694	694	554	554	576	574	574
Trade and other payables	4		38 593	41 421	52 148	24 000	24 000	24 000	24 000	45 000	22 000	22 000
Provisions			6 660	7 806	7 845	17 573	17 573	8 079	8 079	16 660	15 806	15 806
Total current liabilities			46 427	50 789	61 429	42 537	42 553	32 919	32 919	62 506	38 651	38 651
Non current liabilities												
Borrowing			6 182	4 749	3 818	4 984	4 185	4 185	4 185	4 984	4 224	3 504
Provisions			4 347	4 747	5 169	7 203	7 742	7 742	7 742	7 203	5 713	7 428
Total non current liabilities			10 529	9 496	8 987	12 187	11 927	11 927	11 927	12 187	9 938	10 932
TOTAL LIABILITIES			56 956	60 285	70 416	54 724	54 480	44 846	44 846	74 693	48 588	49 583
NET ASSETS	5		173 778	176 820	176 787	218 980	212 076	216 449	216 449	202 544	227 553	233 494
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)			173 778	176 820	182 791	226 762	219 857	190 125	190 125	230 714	229 469	229 469
Reserves	4		–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5		173 778	176 820	182 791	226 762	219 857	190 125	190 125	230 714	229 469	229 469

Table 6 – Budgeted Financial Position(Tabel A6)

Table 7 – Budgeted Cash Flows

NC076 Thembelihle - Table A7 Budgeted Cash Flows

Description		Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates			1 225	653	3 137	2 505	3 600	3 600	3 600	2 505	2 660	2 817
Service charges			19 197	12 783	20 074	15 428	15 891	15 891	15 891	15 428	16 411	17 409
Other revenue			2 782	1 148	1 044	5 190	753	9 627	9 627	5 190	5 512	5 878
Government - operating		1	24 215	20 437	23 052	24 032	24 032	53 939	53 939	26 023	28 451	30 322
Government - capital		1	6 977	17 229	26 444	14 283	13 408	11 350	11 350	13 056	13 549	14 100
Interest			—	—	180	844	903	—	—	844	896	928
Dividends			—	—	—	—	—	—	—	—	—	—
Payments												
Suppliers and employees			—	—	(41 204)	(49 576)	(50 257)	(80 339)	(80 339)	(49 576)	(53 471)	(56 421)
Finance charges			—	—	(5 544)	(680)	(506)	(506)	(506)	(680)	(771)	(816)
Transfers and Grants		1	—	—	—	—	—	(5 310)	(5 310)	—	—	—
NET CASH FROM/(USED) OPERATING ACTIVITIES			11 618	13 535	27 183	12 025	7 825	8 252	8 252	12 790	13 237	14 216
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE			—	—	17 360	5 000	—	—	—	5 305	1 600	—
Decrease (Increase) in non-current debtors			—	—	—	—	—	317	317	—	—	—
Decrease (increase) other non-current receivables			—	—	—	—	—	—	—	—	—	—
Decrease (increase) in non-current investments			—	—	—	—	—	—	—	—	—	—
Payments												
Capital assets			(8 842)	(20 631)	(20 631)	(14 323)	(13 448)	(6 909)	(6 909)	(13 056)	(13 549)	(14 100)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(8 842)	(20 631)	(3 270)	(9 323)	(13 448)	(6 592)	(6 592)	(7 751)	(11 949)	(14 100)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans			—	—	—	—	—	—	—	—	—	—
Borrowing long term/refinancing			—	—	—	—	—	—	—	—	—	—
Increase (decrease) in consumer deposits			—	—	—	—	—	126	126	—	—	—
Payments												
Repayment of borrowing			(572)	(1 044)	(1 044)	(270)	(270)	(1 176)	(1 176)	(270)	(270)	(270)
NET CASH FROM/(USED) FINANCING ACTIVITIES			(572)	(1 044)	(1 044)	(270)	(270)	(1 051)	(1 051)	(270)	(270)	(270)
NET INCREASE/ (DECREASE) IN CASH HELD			2 204	(8 140)	22 868	2 432	(5 893)	609	609	4 769	1 018	(154)
Cash/cash equivalents at the year begin:		2	6 659	8 863	723	9 952	10 439	183	183	—	4 769	5 787
Cash/cash equivalents at the year end:		2	8 863	723	23 591	12 384	4 546	792	792	4 769	5 787	5 633

Kgothatso Matlala:
is this the movement dividends received less dividends paid for consolidation purposes

Table 7: Budgeted cash Flow (Table A7)

Table 8 – Cash backed reserves/accumulated surplus reconciliation

NC076 Thembelihle - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	8 863	723	23 591	12 384	4 546	792	792	4 769	5 787	5 633
Other current investments > 90 days		—	—	(20 330)	40	3 974	2 665	2 665	3 407	(1 651)	487
Non current assets - Investments	1	—	—	—	—	—	—	—	—	—	—
Cash and investments available:		8 863	723	3 261	12 424	8 520	3 457	3 457	8 176	4 135	6 120
Application of cash and investments											
Unspent conditional transfers		11 620	6 785	1 390	—	—	—	—	—	—	—
Unspent borrowing		—	—	—	—	—	—	—	—	—	—
Statutory requirements	2										
Other working capital requirements	3	19 254	30 486	45 543	10 511	15 878	11 986	11 986	34 134	10 101	8 241
Other provisions											
Long term investments committed	4	—	—	—	—	—	—	—	—	—	—
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		30 875	37 271	46 933	10 511	15 878	11 986	11 986	34 134	10 101	8 241
Surplus(shortfall)		(22 012)	(36 549)	(43 672)	1 913	(7 358)	(8 529)	(8 529)	(25 958)	(5 966)	(2 121)

Table 8: Cash backed reserves/accumulated surplus reconciliation (Table A8)

Table 9 – Asset Management

NC076 Thembelihle - Table A9 Asset Management

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	3 047	19 835	26 015	14 323	13 933	13 973	13 056	13 549	14 100
Roads Infrastructure		–	–	13 369	8 567	7 692	7 692	9 056	9 309	9 606
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		1 081	1 054	–	–	–	–	–	–	–
Water Supply Infrastructure		1 274	18 683	12 647	5 716	6 281	6 281	4 000	4 240	4 494
Sanitation Infrastructure		682	11	–	–	–	–	–	–	–
Solid Waste Infrastructure		11	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		3 047	19 748	26 015	14 283	13 973	13 973	13 056	13 549	14 100
Community Facilities		–	–	–	–	–	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		–	–	–	–	–	–	–	–	–
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	87	–	–	–	–	–	–	–
Intangible Assets		–	87	–	–	–	–	–	–	–
Computer Equipment		–	–	–	40	(40)	–	–	–	–
Furniture and Office Equipment		–	–	–	–	–	–	–	–	–
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets	2	–	–	–	–	–	–	–	–	–
Roads Infrastructure		–	–	–	–	–	–	–	–	–
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		–	–	–	–	–	–	–	–	–
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	–	–	–
Community Facilities		–	–	–	–	–	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		–	–	–	–	–	–	–	–	–
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–
Intangible Assets		–	–	–	–	–	–	–	–	–
Computer Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	–	–	–	–	–	–	–	–
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–

Total Upgrading of Existing Assets	6	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	13 369	8 567	7 692	7 692	9 056	9 606
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		1 081	1 054	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		1 274	18 683	12 647	5 716	6 281	6 281	4 000	4 494
<i>Sanitation Infrastructure</i>		682	11	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		11	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-
Infrastructure		3 047	19 748	26 015	14 283	13 973	13 973	13 056	14 100
Community Facilities		-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-
Licences and Rights		-	87	-	-	-	-	-	-
Intangible Assets		-	87	-	-	-	-	-	-
Computer Equipment		-	-	-	40	(40)	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		3 047	19 835	26 015	14 323	13 933	13 973	13 056	14 100

ASSET REGISTER SUMMARY - PPE (WDV)		5									
Roads Infrastructure			49 460	30 441	32 399	46 135	44 599	44 599	48 488	50 864	53 305
Storm water Infrastructure									-	-	-
Electrical Infrastructure			22 485	15 812	16 146	11 825	11 431	11 431	12 428	13 037	13 663
Water Supply Infrastructure			54 716	119 378	100 756	132 691	128 273	128 273	139 458	146 292	153 314
Sanitation Infrastructure			52 139	32 300	32 976	31 312	30 270	30 270	32 909	34 522	36 179
Solid Waste Infrastructure						2 675	2 586	2 586	2 812	2 950	3 091
Rail Infrastructure											
Coastal Infrastructure											
Information and Communication Infrastructure											
Infrastructure			178 800	197 931	182 278	224 639	217 160	217 160	236 095	247 664	259 552
Community Facilities			12 870	9 992	9 770	9 212	8 905	8 905	9 681	10 156	10 643
Sport and Recreation Facilities											
Community Assets			12 870	9 992	9 770	9 212	8 905	8 905	9 681	10 156	10 643
Heritage Assets											
Revenue Generating											
Non-revenue Generating											
Investment properties			-	-	-	-	-	-	-	-	-
Operational Buildings											
Housing											
Other Assets			-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets											
Servitudes											
Licences and Rights											
Intangible Assets			-	-	-	-	-	-	-	-	-
Computer Equipment											
Furniture and Office Equipment											
Machinery and Equipment											
Transport Assets											
Libraries											
Zoo's, Marine and Non-biological Animals											
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)		5	191 670	207 923	192 047	233 850	226 065	226 065	245 777	257 820	270 195
EXPENDITURE OTHER ITEMS											
Depreciation		7	6 990	7 629	8 029	6 782	7 782	7 782	8 291	9 111	8 829
Repairs and Maintenance by Asset Class		3	838	755	506	1 796	2 364	2 219	1 199	1 269	1 343
Roads Infrastructure			3	94	-	5	6	11	6	6	6
Storm water Infrastructure			-	-	-	-	-	-	-	-	-
Electrical Infrastructure			270	148	24	449	569	131	373	395	417
Water Supply Infrastructure			509	199	374	270	(178)	98	275	291	308
Sanitation Infrastructure			55	314	-	-	-	8	47	49	52
Solid Waste Infrastructure			-	-	-	168	0	-	130	137	145
Rail Infrastructure			-	-	-	-	-	-	-	-	-
Coastal Infrastructure			-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure			-	-	-	-	-	-	-	-	-
Infrastructure			838	755	399	892	397	247	829	878	929
Community Facilities			-	-	-	3	13	16	3	4	4
Sport and Recreation Facilities			-	-	-	-	-	-	-	-	-
Community Assets			-	-	-	3	13	16	3	4	4
Heritage Assets			-	-	-	-	-	-	-	-	-
Revenue Generating			-	-	-	-	-	-	-	-	-
Non-revenue Generating			-	-	-	-	-	-	-	-	-
Investment properties			-	-	-	-	-	-	-	-	-
Operational Buildings			-	-	93	901	1 954	999	312	330	349
Housing			-	-	-	-	-	-	-	-	-
Other Assets			-	-	93	901	1 954	999	312	330	349
Biological or Cultivated Assets			-	-	-	-	-	-	-	-	-
Servitudes			-	-	-	-	-	-	-	-	-
Licences and Rights			-	-	14	-	-	2	-	-	-
Intangible Assets			-	-	14	-	-	2	-	-	-
Computer Equipment			-	-	-	-	-	4	-	-	-
Furniture and Office Equipment			-	-	-	-	-	568	2	2	2
Machinery and Equipment			-	-	-	-	-	-	-	-	-
Transport Assets			-	-	-	-	-	382	53	56	59
Libraries			-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals			-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS			7 828	8 383	8 535	8 578	10 146	10 000	9 490	10 380	10 173
Renewal and upgrading of Existing Assets as % of total capex			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal and upgrading of Existing Assets as % of deprecn			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as a % of PPE			0.4%	0.3%	0.2%	0.8%	1.0%	0.9%	0.5%	0.5%	0.5%
Renewal and upgrading and R&M as a % of PPE			0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%

Table 9: Asset Management (Table A9)

Table 10 – Basic service delivery measurement

NC076 Thembelihle - Table A10 Basic service delivery measurement

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets	1									
Water:										
Piped water inside dwelling		1 946	2 560	2 729	2 560	2 560	2 560	2 560	2 560	2 560
Piped water inside yard (but not in dwelling)		455	—	—	—	—	—	—	—	—
Using public tap (at least min.service level)	2	200	1 501	1 600	1 501	1 501	1 501	1 501	1 501	1 501
Other water supply (at least min.service level)	4	—	—	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>		2 601	4 061	4 329	4 061	4 061	4 061	4 061	4 061	4 061
Using public tap (< min.service level)	3	—	—	—	—	—	—	—	—	—
Other water supply (< min.service level)	4	—	—	—	—	—	—	—	—	—
No water supply		—	—	—	—	—	—	—	—	—
<i>Below Minimum Service Level sub-total</i>		—	—	—	—	—	—	—	—	—
Total number of households	5	2 601	4 061	4 329	4 061	4 061	4 061	4 061	4 061	4 061
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		—	—	—	2 229	2 229	2 229	2 229	2 229	2 229
Flush toilet (with septic tank)		—	—	—	—	—	—	—	—	—
Chemical toilet		—	—	—	—	—	—	—	—	—
Pit toilet (ventilated)		—	—	—	731	731	731	731	731	731
Other toilet provisions (> min.service level)		—	—	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>		—	—	—	2 960	2 960	2 960	2 960	2 960	2 960
Bucket toilet		—	—	—	—	—	—	—	—	—
Other toilet provisions (< min.service level)		—	—	—	—	—	—	—	—	—
No toilet provisions		—	—	—	1 101	1 101	1 101	1 101	1 101	1 101
<i>Below Minimum Service Level sub-total</i>		—	—	—	1 101	1 101	1 101	1 101	1 101	1 101
Total number of households	5	—	—	—	4 061	4 061	4 061	4 061	4 061	4 061
Energy:										
Electricity (at least min.service level)		—	—	—	740	740	740	740	740	740
Electricity - prepaid (min.service level)		—	—	—	1 820	1 820	1 820	1 820	1 820	1 820
<i>Minimum Service Level and Above sub-total</i>		—	—	—	2 560	2 560	2 560	2 560	2 560	2 560
Electricity (< min.service level)		—	—	—	—	—	—	—	—	—
Electricity - prepaid (< min. service level)		—	—	—	—	—	—	—	—	—
Other energy sources		—	—	—	1 875	1 875	1 875	1 875	1 875	1 875
<i>Below Minimum Service Level sub-total</i>		—	—	—	1 875	1 875	1 875	1 875	1 875	1 875
Total number of households	5	—	—	—	4 435	4 435	4 435	4 435	4 435	4 435
Refuse:										
Removed at least once a week		—	—	—	4 061	4 061	4 061	4 061	4 061	4 061
<i>Minimum Service Level and Above sub-total</i>		—	—	—	4 061	4 061	4 061	4 061	4 061	4 061
Removed less frequently than once a week		—	—	—	—	—	—	—	—	—
Using communal refuse dump		—	—	—	—	—	—	—	—	—
Using own refuse dump		—	—	—	—	—	—	—	—	—
Other rubbish disposal		—	—	—	—	—	—	—	—	—
No rubbish disposal		—	—	—	—	—	—	—	—	—
<i>Below Minimum Service Level sub-total</i>		—	—	—	—	—	—	—	—	—
Total number of households	5	—	—	—	4 061	4 061	4 061	4 061	4 061	4 061
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		—	—	—	—	—	—	—	—	—
Sanitation (free minimum level service)		—	—	—	—	—	—	—	—	—
Electricity/other energy (50kwh per household per month)		—	—	—	—	—	—	—	—	—
Refuse (removed at least once a week)		—	—	—	—	—	—	—	—	—
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		—	—	—	622	—	—	—	—	—
Sanitation (free sanitation service to indigent households)		—	—	—	—	—	—	—	—	—
Electricity/other energy (50kwh per indigent household per month)		—	—	—	438	—	—	—	—	—
Refuse (removed once a week for indigent households)		—	—	—	671	—	—	—	—	—
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		—	—	—	—	—	—	—	—	—
Total cost of FBS provided		—	—	—	1 731	—	—	—	—	—
Highest level of free service provided per household										
Property rates (R value threshold)					15 000	15 000	15 000	15 000	15 000	15 000
Water (kilolitres per household per month)					6	6	6	6	6	6
Sanitation (kilolitres per household per month)					—	—	—	—	—	—
Sanitation (Rand per household per month)					22	22	22	22	22	22
Electricity (kwh per household per month)					50	50	50	50	50	50
Refuse (average litres per week)					200	200	200	200	200	200
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		596	376	356	387	306	306	410	435	460
Water (in excess of 6 kilolitres per indigent household per month)		—	—	—	200	851	851	660	699	740
Sanitation (in excess of free sanitation service to indigent households)		—	—	—	1 146	1 122	1 122	1 216	1 287	1 362
Electricity/other energy (in excess of 50 kwh per indigent household per month)		—	—	—	—	499	499	465	492	521
Refuse (in excess of one removal a week for indigent households)		—	—	—	—	646	646	712	754	797
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of subsidised services provided	6	596	376	356	1 732	3 423	3 423	3 462	3 667	3 879

Table 10: Basic service delivery measurement (Table A10)

OVERVIEW OF ANNUAL BUDGET PROCESS

a. Budget Process Overview (including consultation process and outcomes)

In terms of Section 24 of the MFMA, Council must at least 30 days before the start of the financial year consider approval of the annual budget. Section 53, requires the mayor of a municipality to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations, gazetted on 17 April 2009, states that the mayor of the municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.

1. BACKGROUND

The Municipal System Act (Act 32 of 2000) and the Municipal Finance Management Act (Act 56 of 2003) require all municipalities to adopt a process plan for the integrated development plan and budget that will harness the development process. It is within this context that this first process plan of the newly constituted council was Annualised to particularly enable the municipality to meet the requirements spelled-out in section 27 (2) of the Municipal Systems Act (Act 32 Of 2000). The next sub-sections highlight the legislative frameworks to be complied with.

In Circular 85 Municipal Budget Circular for the 2017/18 MTREF, National Treasury encouraged municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 3 to 6 per cent target band; therefore, municipalities are now required to justify all increases in excess of the 6.1 per cent projected inflation target in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

National Treasury has released Version 6.1 of Schedule A1 (the Excel Formats) which is aligned to version 6.1 of the mSCOA classification framework which must be used when compiling the 2017/18 MTREF budget. This version incorporates major changes (see Annexure A). Therefore, Thembelihle made use of this version for the preparation of their 2017/18 MTREF budget.

The process plan focusing on the IDP, PMS and Budget for 2017-2018 was tabled by the Mayor to Council during a Special Council meeting on 31 January 2017.

1.1 *Municipal Systems Act*

In terms of the Municipal System Act of 2000, all municipalities have to undertake an IDP process to produce the IDP. The Act further mandates municipalities to have a Performance Management System in place. These planning tools together with other planning instruments i.e. a municipal budget are designed to assist Municipalities to be developmentally oriented and to contribute meaningfully in improving the lives of their communities. As the aforementioned plans are the legislative requirements they have legal status and supersede all other plans that guide development at local government level.

Thembelihle Municipality has completed its 5 year IDP cycle. This was done in terms of chapter 5 and 6, of the Municipal System Act and of the Municipal Finance Management Act of 2003. In terms of Section 34 of the Municipal Systems Act:

Thembelihle Municipality is currently embarking on revising the IDP, the first one of the newly elected council, which will reflect the new planning. This plan will address, amongst others, the following:

- (a) Comments received from various role-players in the IDP process, especially the community, the IDP Representative Forum the IDP Hearings and the Engagement sessions.
- (b) Areas requiring additional attention in terms of legislation requirements;
- (c) Areas identified through self-assessment;
- (d) The review of KPI's (PMS) and alignment of budget;
- (e) The update of the 5 years' financial plan as well as the list of projects;
- (f) Identification of new projects,
- (g) The continuation of the Sector Plans to be completed
- (h) Implementation of existing projects
- (i) The update of the Spatial Development Framework (SDF); and
- (j) The preparation and update to the Sector Plans.

1.2 *Municipal Finance Management Act*

Chapter 4, section 16 (1) and (2) of the Municipal Finance Management Act states that-

- 1) *The Council of the municipality must of each financial year approve an annual budget for the municipality before the start of the financial year.*
- 2) *In order for the municipality to comply with subsection (1), the Mayor of the municipality must table the annual budget at the council meeting at least 90 days before the start of the budget year.*

The above section must be read in conjunction with section 24 (1) which states that Council must at least 30 days before the start of the new financial year approve the annual budget. It is clear that this Act provides very strict time frames within the budget process must be completed.

Adding to the above the Act states in section 21 (1) (b) that-

The Mayor of a Municipal must-

- (a) At least 10 months before the starts of the budget year, table in the municipal council a time schedule outlining key deadlines for-
- (b) The preparation, tabling and approval of the annual budget;
- (ii) the annual review of-
 - (aa) the integrated development plan in terms of section 34 of the municipal Systems Act and
 - (bb) the budget related policies;
- (iii) the tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and
- (iv) Any consultative processed forming part of the referred to in subparagraphs (i), (ii) and (iii).

Considering this, it implies that the Mayor must table the budget process before Council, 10 months before the start of the new financial year.

ALIGNMENT PROCESS

The Municipal Systems Act states that development strategies must be aligned with National and Provincial sector plans as well as planning requirements. It also establishes that a single inclusive and strategic plan must be adopted which links, integrates and coordinates plans.

The municipality realized early into the first round of IDPs that good effective alignment would result in successful implementation whilst a failure to align might result in a total collapse of the implementation of the IDP. The municipality tries to ensure alignment with the assistance of the PIMS-Centre, located at the Pixley ka Seme District Municipality and the involvement of the sector departments in the IDP Representative Forum.

Although alignment was not always reached fully in the previous IDP cycle the municipality takes the following documents into account in the IDP process:

- Integrated Sustainable Rural Development Programme (ISRDP)
- Northern Cape Provincial Growth and Development Strategy (PGDS)
- District Growth and Development (DGDS)
- National Spatial Development Programme (NSDP)

- IDP Hearings Comments

Besides the alignment with National, Provincial and district programmes and policies, internal alignment is also reached in the process plan, aligning the budget, the PMS and the IDP.

2. **PROCESS PLAN**

As with the previous years, there is a need for the preparation and adoption of a process plan as emphasized in paragraph 1.2 above. This plan is also aligned with the District Process and Framework Plan to provide the linkage and binding relationships between the district and local municipality in the region.

3. **ORGANISATIONAL ARRANGEMENT**

Council	<ul style="list-style-type: none"> • Political oversight over the IDP
IDP Steering Committee	<ul style="list-style-type: none"> • Responsible for assisting the Council in its oversight role. • Assumes the role of the political champion of the process (this is particularly important and critical as it allows for the Councilors to take ownership of the IDP process). • Forms the link between Council, management and the representatives forum
Municipal Manager	<ul style="list-style-type: none"> • Overall responsibility for the IDP
IDP Co-ordinator	<ul style="list-style-type: none"> • Responsible for managing the IDP process through • Facilitation of the IDP process, • Coordinating IDP related activities including capaMunicipality building programmes, • Facilitating reporting and the documentation thereof, • Making recommendations to the IDP Steering Committee • Liaising with the PIMS Centre and Provincial Sector Departments, • Providing secretariat functions for the IDP Steering Committee and the Representative Forum
The Financial Manager	<p>Ensures that the municipal budget is linked to the IDP. Responsible for:</p> <ul style="list-style-type: none"> • Co-ordinating the budget implementation in a manner aim at addressing the issues raised in the IDP, • Development of the 3 year integrated financial plan
IDP Steering Committee	<p>The technical working team, also the “driver of the bus” consist of 11 members of whom 3 are departmental managers, 1 Municipal Manager, 7 Councilors</p> <ul style="list-style-type: none"> • This committee meets monthly, chaired by Mayor • It is responsible for IDP process, resources and outputs, • It oversees the monthly status reports that are received from departments, • It makes recommendations to Council, • It oversees the meetings of the IDP Representative Forum, • The committee is responsible for the process of integration and alignment.

IDP Representative Forum	<p>Representatives from local organisational and communities. It forms the interface for community participation in the affairs of the council.</p> <p>Operates on consensus basis in the determination of priority issues for the municipal area,</p> <p>Participates in the annual IDP review process,</p> <p>Meets quarterly to discuss progress and shortcomings,</p> <p>All the wards within the municipal area are represented on this forum through the Ward Committee members.</p>
PIMS Centre	<p>Situated at the Pixley ka Seme District Municipality.</p> <ul style="list-style-type: none"> • The centre plays a supporting role to the local municipality, • It contributes to the IDP process by facilitating activities and process, especially during difficult times, • Facilitates the process of alignment amongst the municipalities in the district and the various other sector departments.
Budget Steering Committee	<p>The budget steering committee (BSC) is responsible for the budget process</p> <p>The composition of the BSC is as follows:</p> <ul style="list-style-type: none"> • Mayor (Chairperson) • Municipal Manager • Chief Financial Officer • Manager responsible for IDP • Other managers will be co-opted, when necessary. <p>Councilors may attend any meetings of BSC and will be co-opted, when necessary, to smoothen the process.</p> <p>2.2 Other stakeholders to be consulted:</p> <ul style="list-style-type: none"> • Ward Committees and Ward communities • Local Economic Steering forum • Local Farmers / Emerging Farmers Committee • IDP Rep Forum

Table 11: Organizational Structure

4. ACTION PROGRAMME WITH TIME FRAME AND RESOURCE REQUIREMENTS

As mentioned earlier, the new legislation and processes like the Municipal Finance Management Act, budget process and PMS compels municipalities to align the planning process (IDP) with all these other processes. Adding to this, it is sometimes a difficult task to align projects of the IDP with Provincial and National Departments as well as aligning timeframes with the District Municipality. All of this did take place in the previous IDP processes, but it is recognized that room for improvement does exist. The Municipality will increase its efforts to try and consider that various Provincial and National Department's efforts in the IDP and also try to improve the process of budget allocations to the Local Municipalities.

The table below illustrates the various phases of the planning process, linking it with the budget process and PMS process in order to accomplish proper alignment. This is also the schedule for the budget and IDP process stipulated in Section 21 of the MFMA.

SCHEDULES FOR THE IDP, PMS AND BUDGET PROCESS FOR THE 2016/2017 FINANCIAL YEAR

To note that this is a guideline for implementation of IDP and Budget process, the dates will be allocated later.

TIME	BUDGET PROCES	IDP PROGRAMME	PMS – PROCESS
July 2016	<ul style="list-style-type: none"> Submit Annual SDBIP within 14 days after approval of the budget Submit quarterly report to Council on Budget implementation and the financial affairs of the municipality Approval of SDBIP – within 28 days after budget approval 		
August 2016	<ul style="list-style-type: none"> Table the planning and budget schedule and Annual policies to Council Submission of AFS (15/16) to Councilors Establishment of budget office and BCSC (budget coordinating committee) 	<ul style="list-style-type: none"> Mayor tables the process plan to Council on 31 August 2016 	<ul style="list-style-type: none"> Receive monthly performance datasheets for departmental and Section 57 performance Monitor SDBIP Start compiling reports on Annual performance of 2016/17
September 2016	<ul style="list-style-type: none"> Submit Financial statements to Auditor General and MEC Submit Financial statements (July and Aug) to Mayor Review of budget process (Budget Evaluation Checklist) for 3 years Proposals for tariffs (rates and taxes). Allocations and policies Engages with NT an PT on allocations and specific programmes Advertise public hearings 	<ul style="list-style-type: none"> Reconsider strategies and objectives accordingly IDP Workshop initiating and kick – starting the IDP review process Start with the review of the IDP Analyse Integrated Sector Programmes like Environmental programmes, Waste Management programmes, Provincial and District G & DS, comments from Province etc. IDP Steering committee meeting Advertise public hearings 	<ul style="list-style-type: none"> PMS Coordinating Committee meeting interacting on 2015-2016 annual reports Receive monthly performance datasheets for departmental and Section 57 performance Annual performance contracts for section 57 Employees Monitor SDBIP Advertise public hearings
October 2016	<ul style="list-style-type: none"> Budget workshops for 2017/2018 and 3 years' budget Agenda: Planning Inputs and managers according to A B C system (MFMA's 35,36,42) Budget workshops for managers and supervisors Financial statements (September) submitted to Mayor Budget implementation (July – Sept) Mayor and Council Submit feedback of budget implementation (June – Sept) to council Feedback on progress up to date (Budget implementation) Expectations for rest of 2016-17 year 	<ul style="list-style-type: none"> IDP Road show identifying community needs to inform budget (visiting all wards) 	<ul style="list-style-type: none"> Mayor table annual PMS report to council Receive monthly performance datasheets for departmental and Section 57 performance 1st Quarterly report on budget implementation 1st Quarterly evaluation of Sec 57 employees 1st Quarterly evaluation on organisational PMS Public hearing on Annual Report jointly with IDP budget roadshow (visiting all wards)

November 2016	<ul style="list-style-type: none"> Preparation and consolidating of Annual budget for 17-18 Financial statements (October) submitted to Mayor Annual budget submitted to BSC Review with managers Finalize rates and taxes 2017/18 Rates and taxes submitted to Council Receive audit report from AG 	<ul style="list-style-type: none"> Continue with IDP road show identifying community needs to inform budget (visiting all wards) Inputs from Departments Identify new and appropriate projects Amend existing project designs Continue with integrated programmes Presentation of project by HOD's Prioritise identified projects and start with documentation of Annual IDP for 2017/18 IDP Representative meeting Report to Council on project implementation IDP IDP Steering Committee meeting 	<ul style="list-style-type: none"> Continue Public hearing on Annual Report jointly with IDP budget road show (visiting all wards) Receive monthly performance datasheets for departmental and Section 57 performance Monitor SDBIP PMS Coordinating meeting to interact on 1st quarter reports Submit 1st Quarter reports to Council
December 2016	<ul style="list-style-type: none"> Council finalises the first Annual of the annual report Monthly financial statements (November) submitted to Mayor 	<ul style="list-style-type: none"> Continue with integrated programmes and finalize integrated programmes Amend IDP documentation accordingly 	<ul style="list-style-type: none"> Receive monthly performance datasheets for departmental and Section 57 performance Monitor SDBIP
January 2017	<ul style="list-style-type: none"> Financial statements (December) Submit report on SCM implementation to Mayor Budget implementation plan (October – December) to Mayor Budget 16-17 as on 31 December submitted to BSC for mid-year reviewing Reviewing 16-17 budget Corrective measures as part of oversight report for the previous years audited financial statements and annual report Allocations from NT and PT 	<ul style="list-style-type: none"> Submission of Project lists to Pixley ka Seme District Municipality not later than 31 January 2017 	<ul style="list-style-type: none"> Submit Annual PMS Report to Auditor General and to Province and National after approval from Council Receive monthly performance datasheets for departmental and Section 57 performance Mid-year Budget and performance Assessment Report 2nd Quarterly Report on budget implementation 2nd Quarterly evaluation of Section 57 employees
			<ul style="list-style-type: none"> 2nd Quarterly evaluation on organisational PMS Review SDBIP in line with mid-year budget review

February 2017	<ul style="list-style-type: none"> Financial Statements (January) submitted to Mayor Workshop on Annual budget 17-18 to Councilors and management Information from PKSDM for 17/18 budget Consultation with NT and PT Council approve revised budget 16/17 Annual budget (17/18) tabled in Council and IDP Annual budget (17/18) submitted to NT and PT (MFMA 22) and IDP S72 PT Engagement 	<ul style="list-style-type: none"> Report to council on project implementation for IDP Produce first Annual IDP for 2017/18 Mayor tables Annual IDP together with budget IDP Steering Committee meeting 	<ul style="list-style-type: none"> Receive monthly performance datasheets for departmental and Section 57 performance Produce first Annual balance scorecard Monitor SDBIP PMS Coordinating committee to interact on mid-year evaluation reports Table first Annual on SDBIP with IDP and budget
March 2017	<ul style="list-style-type: none"> Notification of Annual budget & IDP to all stakeholders Financial Statements (February) submitted to Mayor Price structures review for bulk services from authorities last day Notification of Annual budget & IDP to all stakeholders (MFMA) Financial Statements (February) submitted to Mayor 	<ul style="list-style-type: none"> Interaction with sector department to integrate funding 	<ul style="list-style-type: none"> Receive monthly performance datasheets for departmental and Section 57 performance Finalise Departmental Programmes Monitor SDBIP
April 2017	<ul style="list-style-type: none"> Consultations with NT and PT for finalizing grants Financial statements (March 2017) to Mayor Budget implementation S 52 report (Jan-March) to Mayor and to Council Finalizing Annual budget 17-18 and Annual IDP MM publish Annual budget and related documents for comments Conduct public hearings on budget Budget sent to Provincial and National Treasury Review current system of delegations PT Annual Budget Benchmark Engagement 	<ul style="list-style-type: none"> MM publish IDP and related documents for comments in local papers Conduct public hearings on IDP Finalize inputs from sector Departments Consult Representative Forums Report to Council on project implementation IDP 	<ul style="list-style-type: none"> Review monthly performance datasheets for departmental and Section 57 performance 3rd Quarterly Report on budget implementation 3rd Quarterly evaluation of Sec 57 employees 3rd Quarterly evaluation on organizational PMS
May 2017	<ul style="list-style-type: none"> Consider inputs and comments received Amend budget accordingly Mayor table 2017/18 Budget and IDP for adoption not later than 31 May 2017 Financial Statements (April 2017) to Mayor 	<ul style="list-style-type: none"> Consider inputs and comments received Amend document accordingly Mayor tables 2017/18 IDP for adoption together with budget (not later than 31 May 2017) 	<ul style="list-style-type: none"> Receive monthly performance datasheets for departmental and Section 57 performance Monitor SDBIP PMS Coordinating Committee to interact on 3rd quarter reports

June 2017	<ul style="list-style-type: none"> • Approved budget sent to Provincial and National Treasury • Publication of approved budget and IDP • Financial statements (May 2017) to Mayor • Financial year (16-17) ends 	<ul style="list-style-type: none"> • IDP sent to MEC within 10 days after adoption by Council • MM place notice that the Council has adopted its reviewed IDP • Report to Council on project implementation for IDP 	<ul style="list-style-type: none"> • Table SDBIP's and section 57 performance agreements 14 days after approval of budget to Mayor • Advertise SDBIP and Section 57 performance agreements for inputs from community • Mayor approves Annual SDBIP 2017/18 by 28 June 2017 • Signing of Section 57 Contracts • Receive monthly performance datasheets for departmental and Section 57 performance • Review organizational PMS indicators and set targets for 2017/18
July 2017	<ul style="list-style-type: none"> • Plan annual report 2016/17 • Financial Statements (June 2017) to Mayor 		<ul style="list-style-type: none"> • 4th Quarterly report on budget implementation • Annual PMS evaluation • Annual evaluation of SDBIP

Table 12: IDP and Budget Time Schedule

7. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

a. The Vision & Mission of the Municipality

The Municipality's Vision:

- “We as Thembelihle Municipality, commit ourselves to a better life for all through sound economic growth, provision of basic infrastructure, disciplined social welfare, a sound and participative institutional management system, as we stand united.”

The Municipality's Mission:

To improve the lives of citizens of Thembelihle Municipal area through:

- **Quality Service Delivery**
- **Have a two-way approach to communication and service**
- **Ensuring a safe and enabling environment for economic growth**
- **Ensuring integrated sustainable human settlements**
- **Ensuring equal opportunities**

b. The IDP and Strategic Focus Areas

The IDP was reviewed and outlines the intent of the Municipality in terms of the eight strategic focus areas, which it has agreed are required to overcome the challenges it is facing, achieve its vision, and implement its other strategic considerations.

These eight strategic focus areas from the framework of the IDP and function as internal strategic levers to facilitate shared growth and development and enhance urban efficiency and institutional effectiveness.

The way in which the Municipality's vision is supported by the eight strategic focus areas is shown in the figure below:

VISIONARY GOALS:

- a) A prosperous Municipality
- b) Effective and equitable service delivery
- c) A well-governed and efficiently run administration

STRATEGIC FOCUS AREAS:

- 1) Shared economic growth and development
- 2) Sustainable urban infrastructure and services
- 3) Energy efficiency for a sustainable future
- 4) Public transport systems
- 5) Integrated human settlements
- 6) Safety and security
- 7) Health, social and community development
- 8) Good governance and regulatory reform, urban efficiency, institutional, effectiveness

The Integrated Development Plan is attached as Annexure 12.

c. The Intergovernmental Development Agenda for Thembelihle Municipality

The Municipality engages with the Provincial and National Government in a structured and functional manner. At a technical and administrative level, engagements take place at sectoral (functional) level. This is aimed at ensuring the Municipality derives meaningful benefit through such interaction by ensuring the better planning, coordination and accountability are achieved, that the Municipality's strategic objectives of infrastructure investment for economic

growth, service delivery excellence and constitutional efficiency are enhanced, and resources better and efficiently utilized. In short, it is aimed at ensuring the Municipality extracts value and benefit for its participation in intergovernmental and international cooperative relations.

MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Key financial indicators and ratios

NC076 Thembelihle - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Ex penditure	3.1%	6.6%	2.5%	1.5%	1.7%	3.6%	3.6%	1.2%	1.2%	1.2%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	7.8%	17.3%	6.9%	2.8%	3.2%	7.4%	7.4%	2.0%	2.0%	2.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	0.3	0.1	0.1	0.7	0.5	0.5	0.5	0.4	0.6	0.7
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.3	0.1	0.1	0.7	0.5	0.5	0.5	0.4	0.6	0.7
Liquidity Ratio	Monetary Assets/Current Liabilities	0.2	0.0	0.1	0.3	0.2	0.1	0.1	0.1	0.1	0.2
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		116.9%	71.4%	100.6%	78.9%	66.9%	67.9%	67.9%	59.1%	56.4%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		116.9%	71.4%	100.6%	78.9%	66.9%	66.9%	66.9%	59.1%	56.4%	54.1%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	10.1%	14.7%	11.1%	28.8%	23.4%	20.8%	20.8%	24.8%	27.3%	30.8%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	5.0%	6.8%	0.0%							
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	0.0%	2.0%	0.0%	3.0%	0.0%					
Creditors to Cash and Investments		276.2%	4778.1%	215.2%	193.8%	527.9%	3031.3%	3031.3%	943.7%	380.2%	390.6%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	0.52	0.58	0.39	0.52	0.33	0.33	0.33	0.52	0.52	0.52
	Total Cost of Losses (Rand '000)	6 595	6 478	–	6 698	–	–	–	6 698	6 698	6 698
	% Volume (units purchased and generated less units sold)/units purchased and generated	42	49	0	43	–	–	–	43	43	43
Water Distribution Losses (2)	Total Volume Losses (kℓ)	0	0		0	0	0	0	0	0	0
	Total Cost of Losses (Rand '000)	4246	5314		5514	0	0	0	5514	5514	5514
	% Volume (units purchased and generated less units sold)/units purchased and generated	58	52		52	–	–	–	52	52	52
Employee costs	Employee costs/(Total Revenue - capital revenue)	41.2%	45.7%	53.1%	43.3%	46.3%	46.6%	46.6%	39.9%	41.1%	41.4%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	45.4%	50.9%	53.1%	48.5%	50.9%	46.6%		43.8%	45.1%	45.4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	1.8%	1.6%	1.1%	3.1%	4.0%	3.4%		1.8%	1.8%	1.8%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	20.5%	25.6%	18.4%	14.6%	15.2%	14.5%	14.5%	13.0%	13.3%	13.2%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	14.8	21.3	22.4	29.0	29.0	29.0	29.9	35.6	34.9	36.8
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	23.4%	34.6%	20.4%	70.5%	44.9%	43.3%	43.3%	52.3%	53.9%	58.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	2.7	0.2	5.9	3.0	1.0	0.2	0.2	1.1	1.3	1.2

Table 13: Performance indicators (Supporting Table SA8)

b. Measurable performance objectives and indicators

The Municipality's visionary framework is unpacked into objectives, Key Performance Indicators (KPIs) and targets for implementation. These are then broken up into Service Delivery and Budget Implementation Plans (SDBIPs) that reflect the detailed projects, which are then allocated a budget. This concept also includes the Municipality's performance management system, as the KPIs that are contained in the SDBIPs are monitored and reported on quarterly.

The Municipality's measurable performance objectives as reflected in support, SDBIP are attached as an annexure.

9 OVERVIEW OF BUDGET-RELATED POLICIES

Revenue Framework

Section 18 of the MFMA states that the budget can only be funded by realistically anticipated revenue to be collected and cash-backed accumulated funds from previous years, not committed for other purposes.

The MFMA requires the municipality to adopt and implement a tariff policy. Council has approved such policies for all major tariff-funded services provided by the municipality, which are attached as annexure to this document.

Council is required to adopt budgetary provisions based on realistic anticipated revenue for the budget year from each revenue source as per the requirements of the MFMA (CHAPTER 4, S17 (1) (a) & (3) (b)).

1. Revenue related policies

General Tariff Policy

The Municipal System Act requires Council to adopt a Tariff Policy. The general financial management functions covered in section 62 of the MFMA includes the implementation of a tariff policy. Specific legislation applicable to each service has been taken into consideration when determining this policy.

Credit Control and Debt Collection Policy

This Policy has been formulated in terms of section 96 (b) and 98 of the Local Government: Municipal Systems Act, 200 and the Credit Control and Debt Collection By-Law.

2. Budget related policies

The following budget related policies have been approved by Council, or have been reviewed / amended and / or are currently being reviewed / amended, in line with National Guidelines and Legislation.

Supply Chain Management Policy

Section 111 of the MFMA requires each Municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act.

Property Rates Policy

The Rates Policy has been Annualized and submitted to council on 31 March 2016.

Cash Management and Investment Policy

The Municipality's Investment Policy, which deals with the management of the Municipality's surplus cash and capital resources and the investment thereof, was submitted to council on 31 March 2016. The policy also covers partially related long-term financial planning, and dealing with infrastructure investment and capital projects.

Borrowing, & Cash Backed and Funds Reserve Policy

The municipality is a low capacity municipality and as a result Borrowing Funds Reserve Policies have not been implemented. All the policies required is not feasible to establish because the policies are not used by the municipality

POLICIES	APPROVED	ANNUAL SUBMITTED
Supply Chain Management		31 March 2016
Rates		31 March 2016
Tariff		31 March 2016
Credit & Debt Control		31 March 2016
Cash Management & Investment		31 March 2016
Indigent Policy		31 March 2016
Virement Policy		31 March 2016

Figure1: Policies amendments

10. OVERVIEW OF BUDGET ASSUMPTIONS

Circular 85 from National Treasury states that as a result of the economic landscape and weak tariff setting, municipalities are under pressure to generate revenue. The ability of customers to pay for services is declining and this means that less revenue will be collected. Municipalities were therefore required to consider the following when compiling the 2017/18 MTREF budget:

- Improving the effectiveness of revenue management processes and procedures;
- Paying special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities;
- The affordability of providing free basic services to all households; and
- Curbing consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

The Municipality faced similar challenges in preparing the 2017/2018 MTREF as in the 2016/2017 MTREF:

1. Lower than planned revenue collection ratios are currently achieved, which in turn required a re-assessment of previously modeled rates revenue for future years. The collection ratios of major revenue sources were consequently adjusted downwards to reflect realistic and sustainable flows over the 3-year MTREF period. This aspect is currently receiving priority attention to improve on the collection rate of the municipality.
2. The actual expenditure incurred on the repairs and maintenance of infrastructure, especially on water infrastructure with pipes bursting and the replacement of the old asbestos pipes with pvc type pipes.
3. Service delivery vehicles are very old and are breaking down more regularly and subsequent repair cost is gradually on the increase year after year.
4. With the National Municipal Infrastructure Unit of the Department of Cooperative Governance and Traditional Affairs, declining to finance roads in town and previous “white” areas, more and more pressure is put on the repair and maintenance of the tar roads in town that is very old.
5. Roads infrastructure in the CBD area can no longer be repaired but is at a stage where it must be resealed and in other places even ripped up and rebuild in full.
6. The global financial meltdown and the effect it had on the ever increasing unemployment rate, has caused huge increases in the poor communities and lead to an increased number of households being unable to pay for municipal services utilized and increase the indigent figures dramatically.
7. This however, has a huge effect on the main source of income of the municipality which is rates and taxes for services rendered.

The combined effect of the above-listed economic/financial factors and consequential impact on departmental budgets resulted in a substantial deficit starting position on the MTREF Rates-funded portion. Reversing the unacceptable deficit position on Rates required several iterative changes to the multi-year targets on both revenue and expenditure across all services, while simultaneously retaining the strategic links to and focus on the IDP and Budget Prioritization Model.

The Budget Steering Committee further placed particular emphasis on the following aspects to influence the outcome of the financial / MTREF scenario's presented to it:

- ✓ a differentiated approach to consideration of budgetary amendments across services, thereby giving effect to the strategic intent of the Budget Prioritization Model;
- ✓ further specific considerations to inform budgetary amendments or allocations were (factors to impact positively on budget allocations):
 - services which promote external service delivery;
 - services responsible for improvement to citizens' quality of living environment;
 - services responsible for hard infrastructure – based economic growth;
 - Services responsible for revenue collection.

- ✓ The limited financial resources available for additional allocations meant that few new projects or initiatives were to receive such budgetary allocations.

Financial modeling

In addition to the above, further principles applied to the MTREF in determining the affordability envelope included:

- ✓ Higher than headline CPI revenue increases with regards Property rates at 6.1% increase to the extent that they affect and support Council's operational activities of relevant services.
- ✓ A high percentage capital expenditure implementation rate was assumed, based on current spending patterns.
- ✓ Improved collection rates, based on collection achievements to date, incorporating improved success anticipated on selected revenue items taking in consideration the debt collection strategy.
- ✓ Higher than nationally projected inflation provisions for repairs and maintenance, to attain nationally benchmarked levels on this expenditure item, and ensure/enhance the preservation of the Municipality's infrastructure.

Key Financial Indicators in the MTREF

Headline Consumer Price Index (CPI) – Inflation Outlook

Headline CPI projected over the MTREF is an average of CPI forecasts from various financial institutions and the Bureau of Economic Research (BER).

The CPI increase for 2017/2018 budget was set at 6.1%,

CPI projection over the 2018 MTREF was 6.1% for 2017/2018, 5.9% for 2018/2019 and 5.8% for 2019/2020.

EXPENDITURE FRAMEWORK

Salaries, wages and related staff costs

The promulgation of the Salary and Wage Collective Agreement by the South African Local Government Bargaining Council (SALGBC) provided the general salary adjustment guidelines for the period 2016/2017 is still under negotiations and are set to be in and around the 7% according to Circular 78.

General expenses

Items with the general expenses category were increased in proportion on the projected CPI increases over the MTREF.

However, as part of the initiative to attain affordable budget, general expenses were reduced.

Repairs and maintenance

Serious repairs and maintenance and renewal backlogs exist in relation to municipal infrastructure, particularly municipality's electricity, water reticulation, sewage, storm water and roads systems. It is noted that these backlogs are impacting negatively on the financial sustainability of municipalities and on the reliability and quality of municipal services, as well as municipality's contribution to supporting economic growth.

- National Treasury is very concerned about the low levels of expenditure on repairs and maintenance and the renewal of existing infrastructure in most municipalities. Municipal councils, Mayors and municipal managers are therefore urged to ensure that allocations to repairs and maintenance, and the renewal of existing infrastructure are prioritised. In this regard:
- Therefore, more emphasis will be placed on this budget vote from this year going forward.

REVENUE FRAMEWORK

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 3 to 6 per cent target band; therefore, municipalities are now required to justify all increases in excess of the 6.1 per cent projected inflation target in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

Maximising the revenue generation of the municipal revenue base

Municipalities are required to make a greater effort to integrate the work of their Town Planning and Valuations functions. This will ensure that every new property development, improvements to existing properties and changes to property usage and other such influences are correctly processed and filtered to the billing system. This will enable timeous and accurate updating of municipal accounts. The completeness, correctness and validity of the General Valuation Roll and supplementary valuations as well as resolving any objections to property values within the prescriptions of the Municipal Property Rates Act, 2004 (Act No.6 of 2004), are fundamental to protecting and growing the municipal revenue base.

In addition, the necessary reconciliations must be in place to ensure that the correct tariffs are applied for property rates and all trading services, that the correct accountholders are billed and that the municipal accounts are reaching the customers who are responsible for payment. These are among the minimum requirements of creating a “positive and reciprocal relationship between persons liable for making payment to the municipality and the municipality or service provider” as per section 95 of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

When municipalities fail to achieve these minimum legally prescribed requirements there is a greater risk of burdening customers with higher tariff increases to compensate for operational inefficiencies.

It is therefore necessary for municipalities to ensure that their tariffs are adequate to, at the minimum, cover the costs of bulk services and also to ensure that all properties are correctly billed for property rates and all services rendered.

Eskom bulk tariff increases

In terms of the Multi-Year Price Determination (MYPD) for Eskom's tariffs approved by the National Energy Regulator of South Africa (NERSA), a tariff increase of 8 per cent has been approved for the 2017/18 financial year.

Municipalities were urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability.

Water and sanitation tariff increases

The 2015 Municipal Services Strategic Assessment report (MuSSA) issued by the Department of Water and Sanitation shows that the majority of municipal Water Service Authorities (WSAs) are operating their water services at a loss. This performance is as a result of, amongst others, implementation of tariffs that are not cost-reflective and unsubstantiated institutional arrangements between districts (WSAs) and local municipalities

It is a must that the municipality improves revenue generation from this service through better financial management, demand management, maintenance and meter reading as it will enable payment of creditors such as water boards. This baseline information is critical to tariff setting and budget compilation. Municipalities in arrears with water boards should ensure that their payment arrangements are effected in their 2017/18 MTREF budget.

The previous MFMA budget Circular No. 78 advised municipalities that had historically set tariffs too low to facilitate cost recovery, to develop a pricing strategy to phase-in the necessary tariff increases in a manner that distributes the impact on consumers over a period of time. The introduction of mSCOA provides for a costing segment which, when correctly utilised, will assist the municipality to determine the full cost of rendering trading services such as water and electricity.

National Grants

Equitable Share

The Constitution provides that each sphere of government is entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it. The equitable division of revenue takes into account the functions assigned to each sphere under the Constitution and the capacity of each, government to pay for these functions through own receipts and revenues. The local government equitable share allocations supplement municipalities' own revenue sources for the provision of basic services to poor households within their areas of jurisdiction.

Initiatives are currently being pursued to assess the application of the equation for the Municipality to ensure that the allocation received by die Municipality is equitable and fair. The annual Division of Revenue Act (DORA) published the equitable share allocations. The following indicative allocations, as published in the 2017/2018 Division of Revenue Bill, were modeled:

2017/2018 – R 20 915 000

2018/2019 – R 22 925 000

2019/2020 – R 24 394 000

NC076 Thembelihle - Supporting Table SA21 Transfers and grants made by the municipality

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash Transfers to other municipalities											
<i>Insert description</i>	1										
Total Cash Transfers To Municipalities:		-	-	-	-	-	-	-	-	-	-
Cash Transfers to Entities/Other External Mechanisms											
<i>Insert description</i>	2										
Total Cash Transfers To Entities/Ems'		-	-	-	-	-	-	-	-	-	-
Cash Transfers to other Organs of State											
<i>Insert description</i>	3										
Total Cash Transfers To Other Organs Of State:		-	-	-	-	-	-	-	-	-	-
Cash Transfers to Organisations											
<i>Insert description</i>											
Total Cash Transfers To Organisations		-	-	-	-	-	-	-	-	-	-
Cash Transfers to Groups of Individuals											
<i>Insert description</i>											
Total Cash Transfers To Groups Of Individuals:		-	-	-	-	-	-	-	-	-	-
TOTAL CASH TRANSFERS AND GRANTS	6	-	-	-	-	-	-	-	-	-	-
Non-Cash Transfers to other municipalities											
<i>Insert description</i>	1										
Total Non-Cash Transfers To Municipalities:		-	-	-	-	-	-	-	-	-	-
Non-Cash Transfers to Entities/Other External Mechanisms											
<i>Insert description</i>	2										
Total Non-Cash Transfers To Entities/Ems'		-	-	-	-	-	-	-	-	-	-
Non-Cash Transfers to other Organs of State											
<i>Insert description</i>	3										
Indigent support		129	164			162	81	-	712	754	797
Ward Committee Stipends									183	194	205
Total Non-Cash Transfers To Other Organs Of State:		129	164	-	-	162	81	-	895	948	1 003
Non-Cash Grants to Organisations											
<i>Insert description</i>	4										
Total Non-Cash Grants To Organisations		-	-	-	-	-	-	-	-	-	-
Groups of Individuals											
<i>Insert description</i>	5										
Total Non-Cash Grants To Groups Of Individuals:		-	-	-	-	-	-	-	-	-	-
TOTAL NON-CASH TRANSFERS AND GRANTS		129	164	-	-	162	81	-	895	948	1 003
TOTAL TRANSFERS AND GRANTS	6	129	164	-	-	162	81	-	895	948	1 003

Table 14- Transfers and grants made by the municipality (Supporting Table SA21)

Capital expenditure (External Financing Fund/EFF component)

The larger portion of Capital expenditure will be financed from conditional grants of National Government.

Here we have the Municipal Infrastructure Grant, INEP and WSIG projects as indicated. The following Infrastructure projects are budgeted for the 2017/18 financial year:

- Upgrading of Electrical Infrastructure
- Upgrading of Roads in Steynville
- Construction of Eaziflush toilets

Table 15 - Detailed capital budget(Supporting Table SA36)

NC076 Thembehlile - Supporting Table SA36 Detailed capital budget

Parent Municipality: Supporting Role and Capital Budget																
Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2017/18 Medium Term Revenue & Expenditure Framework			Project information	
										Audited Outcome 2015/16	Current Year 2016/17 Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Ward location	New or renewal
R thousand	4				6	3	3	5								
Parent municipality: List all capital projects grouped by Municipal Vote																
Planning and Development																
Water		Steynville: Outfall Sewer) (MIG)			No	Sanitation Infrastructure	Water Treatment Works		7 122	-	-	600				New
Planning and Development		INEP			Yes	Storm water Infrastructure	Water Treatment Works		1 000	-	-	1 000				New
Planning and Development		Steynville: Upgrading of roads (MIG)			Yes	Roads Infrastructure	Road Structures		77 788	-	-	8 261				New
Planning and Development		Deedville upgrading of roads (MIG)			Yes	Roads Infrastructure	Road Structures		18 000			225				New
Planning and Development		VIP Toilets (from WSIG)			Yes	Sanitation Infrastructure	Waste Water Treatment Works		4 000			4 000				New
Planning and Development		PMU (Only Salaries; not of a capital nature)			Yes	Non-revenue Generating	Unspecified		478			447				New
Parent Capital expenditure																
1												14 533	-	-		

11. OVERVIEW OF BUDGET FUNDING

Fiscal Overview

1. 2017/2018 and 2018/2019 to 2019/2020 projected financial performance

1.1 Operating Budget

The followings provisions made:

- Repairs and Maintenance (Primary) of Infrastructure
- Inflation related increases to major expenditure components, such as the staff budget (salary level increases).

1.2 Capital Budget

The capital budget decreased from R15,3 million in 2016/2017 to R13 million in 2017/2018. The following funding was made available:

- MIG
- RBIG

2. Medium Term Outlook: 2016/2017 to 2018/2019

Operating Budget

The ensuing table reflects the operating budgets

	2017/2018 R'm	2018/2019 R'm	2019/2020 R'm
Operating Budget	67,5	70,2	74,4

Table 16: Medium term operating budget

Capital Budget

The ensuing table reflects the capital budget as well as the funding sources in the medium term:

	2017/2018 R'm	2018/2019 R'm	2019/2020 R'm
Capital Budget	14	9.8	10.1
Funded as follows:			
National Grant Funding	14	9.8	10.1
Provincial Grant Funding			

Table 17: Medium term capital budget and funding sources

The funding sources listed below as appropriated towards the following major projects on the capital budget:
National Grant Funded

- MIG
- WSIG
- INEP

1. Source of Funding

Rates, tariffs and other charges

Property Tax Rates

The proposed property rates are to be levied in accordance with existing Council policies unless otherwise indicated and both the Local Government Municipal Property Rates Act 2004 (MPRA) and the Local Government Municipal Finance Management Act 2003.

The proposed average rates increase in 6.1% for all categories of properties.

Property tax rates are based on values indicated in the General Valuation Roll 2015 (GV). The Roll is updated for properties affected by land sub-divisions, alterations to buildings, demolitions and new buildings (improvements) through Supplemental Valuation Rolls.

Rebates and concessions are granted to certain categories of property usage and/or property owner and took effect with the new General Valuation Roll implemented by 01st July 2015. Each year thereafter a supplementary roll will amend the General Valuation Roll.

Water and Sanitation

The proposed Water and Sanitation Tariffs for 2017/2018 are consistent with National Policy on the provision of free basic services, the National Strategic Framework for Water and Sanitation and with Council's Indigent relief measures, Rates and Tariff Policies and Equitable Service Framework. The tariff increases are necessary to address essential operational requirements, maintenance of existing infrastructure, new infrastructure provision and to ensure the financial sustainability of the service.

The progressive nature of the existing domestic stepped tariff structure both for water is pro-poor and allows for the needs of the indigent.

The tariff levels for water increase by 6.1% to make provision for the under collection of previous years. Sanitation tariffs increase by 6.1%. This is still a challenge for the municipality due to the cost reflective tariff that needs to be implemented.

Electricity

The proposed revisions to the tariffs have been formulated in accordance with the Tariff and Rates Policy and comply with Section 78 of the Municipal Systems Act as well as the recommendation of the National Energy Regulator of South Africa (NERSA).

The Electricity Regulation Act requires that proposed revisions to the electricity consumption based tariffs be submitted to the Regulator for approval prior the implementation. Provisional approval will therefore be requested with the express proviso that any alterations required by Council will be submitted to the Regulator as soon as possible.

Solid Waste Management

The Solid Waste Tariffs are levied to recover costs of services provided directly to customers and include collection fees, disposal fees, compost sales, clearance of illegal dumping on private properties, weighbridge fees and other ad hoc services. It is proposed that the Collections Tariffs (Consumptive and Sundry) increase by 6.1%.

2 Grant Allocations

National Allocations

The table below reflects the grant allocations in terms of the Division of Revenue Act that have been included in the medium term budget:

NC076 Thembelihle - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		18 854	19 682	22 559	22 828	22 828	21 481	24 738	27 090	28 882
Local Government Equitable Share		15 565	16 735	18 676	19 367	19 367	18 676	20 915	22 925	24 394
Finance Management		1 650	1 496	1 988	2 010	2 010	1 805	2 345	2 600	2 860
Municipal Systems Improvement		890	934	815	–	–	–	–	–	–
EPWP Incentive		749	516	1 080	1 000	1 000	1 000	1 000	1 060	1 124
Municipal Infrastructure Grant (MIG)					451	451		478	505	504
Provincial Government:		353	185	486	1 209	1 209	1 184	1 285	1 361	1 440
Sport and Recreation		353	185	486	1 209	1 209	1 184	1 285	1 361	1 440
Municipal Infrastructure Grant (MIG)										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		2 357	–	7	–	–	–	–	–	–
ACIP		2 357		7						
LGSETA										
Total Operating Transfers and Grants	5	21 564	19 867	23 052	24 037	24 037	22 665	26 023	28 451	30 322
Capital Transfers and Grants										
National Government:		9 628	17 799	26 444	14 283	13 408	17 721	14 055	9 814	10 110
Municipal Infrastructure Grant (MIG)		4 682	10 444	13 798	8 567	7 692	8 825	9 055	9 814	10 110
Regional Bulk Infrastructure		4 676	6 481	12 647	5 716	5 716	8 362	4 000	–	–
Integrated National Electrification Programme		270	304		–	–				
Other capital transfers/grants [insert desc]			570				464	1 000	–	–
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
ACIP										
Total Capital Transfers and Grants	5	9 628	17 799	26 444	14 283	13 408	17 721	14 055	9 814	10 110
TOTAL RECEIPTS OF TRANSFERS & GRANTS		31 192	37 666	49 496	38 320	37 445	40 386	40 078	38 265	40 432

Table 18: National allocations

Provincial Allocations

The table below reflects the grants allocated in terms of the Provincial Gazette that have been included in this medium term budget:

NC076 Thembelihle - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		18 854	20 356	22 559	22 828	22 828	21 945	22 712	23 296	4 250
Local Government Equitable Share		15 565	16 735	18 676	19 367	19 367	18 676	19 367	19 637	270
Finance Management		1 650	1 496	1 988	2 010	2 010	1 805	2 345	2 600	2 860
Municipal Systems Improvement		890	934	815	–	–	–	–	–	–
EPWP Incentive		749	570	–	1 000	1 000	1 000	1 000	1 059	1 120
			608	1 080						
			12							
Municipal Infrastructure Grant (MIG)					451	451	464	–	–	–
Provincial Government:		353	185	486	1 209	1 209	1 184	1 277	1 353	1 431
Sport and Recreation		353	185	486	1 209	1 209	1 184	1 277	1 353	1 431
Municipal Infrastructure Grant (MIG)										
District Municipality:		–	–	–	–	–	–	–	–	–
<i>[insert description]</i>										
Other grant providers:		4 969	1 849	1 856	–	–	–	–	–	–
ACIP		3 351	–	7						
NT Contribution AG		1 618	1 849	1 849						
Total operating expenditure of Transfers and Grants		24 176	22 390	24 901	24 037	24 037	23 129	23 989	24 649	5 682
Capital expenditure of Transfers and Grants										
National Government:		9 628	22 652	26 444	14 283	13 408	17 257	14 055	9 814	10 110
Municipal Infrastructure Grant (MIG)		4 682	16 171	13 798	8 567	7 692	8 825	9 055	9 814	10 110
Regional Bulk Infrastructure		4 676	6 481	12 647	5 716	5 716	8 362	4 000	–	–
					–	–	–	–	–	–
Integrated National Electrification Programme		270	–	–	–	–	–	1 000	–	–
Other capital transfers/grants [insert desc]							70	–	–	–
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
<i>[insert description]</i>										
Other grant providers:		–	–	–	–	–	–	–	–	–
ACIP										
Total capital expenditure of Transfers and Grants		9 628	22 652	26 444	14 283	13 408	17 257	14 055	9 814	10 110
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		33 804	45 043	51 345	38 320	37 445	40 386	38 044	34 463	15 792

Table 19: Provincial allocations

12 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

NC076 Thembelihle - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		18 854	20 356	22 559	22 828	22 828	21 945	22 712	23 296	4 250
Local Government Equitable Share		15 565	16 735	18 676	19 367	19 367	18 676	19 367	19 637	270
Finance Management		1 650	1 496	1 988	2 010	2 010	1 805	2 345	2 600	2 860
Municipal Systems Improvement		890	934	815	–	–	–	–	–	–
EPWP Incentive		749	608	1 080	1 000	1 000	1 000	1 000	1 059	1 120
			12					–	–	–
Municipal Infrastructure Grant (MIG)					451	451	464			
Provincial Government:		353	185	486	1 209	1 209	1 184	1 277	1 353	1 431
Sport and Recreation		353	185	486	1 209	1 209	1 184	1 277	1 353	1 431
Municipal Infrastructure Grant (MIG)										
District Municipality:		–	–	–	–	–	–	–	–	–
<i>[insert description]</i>										
Other grant providers:		4 969	1 849	1 856	–	–	–	–	–	–
ACIP		3 351		7						
NT Contribution AG		1 618	1 849	1 849						
Total operating expenditure of Transfers and Grants		24 176	22 390	24 901	24 037	24 037	23 129	23 989	24 649	5 682
Capital expenditure of Transfers and Grants										
National Government:		9 628	22 652	26 444	14 283	13 408	17 257	14 055	9 814	10 110
Municipal Infrastructure Grant (MIG)		4 682	16 171	13 798	8 567	7 692	8 825	9 055	9 814	10 110
Regional Bulk Infrastructure		4 676	6 481	12 647	5 716	5 716	8 362	4 000		
					–	–		1 000		
Integrated National Electrification Programme		270								
Other capital transfers/grants [insert desc]							70			
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
<i>[insert description]</i>										
Other grant providers:		–	–	–	–	–	–	–	–	–
ACIP										
Total capital expenditure of Transfers and Grants		9 628	22 652	26 444	14 283	13 408	17 257	14 055	9 814	10 110
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		33 804	45 043	51 345	38 320	37 445	40 386	38 044	34 463	15 792

Table 20: Expenditure on allocations and grant programme (Supporting Table SA19)

13 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

As can be seen from the Table below, the cash flow situation will remain very constraint for the 2017/18 financial year.

NC076 Thembelihle - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash Receipts By Source													1		
Property rates	144	199	166	102	249	188	247	235	225	247	235	267	2 505	2 660	2 817
Service charges - electricity revenue	725	746	602	703	535	760	687	574	674	874	804	844	8 529	9 083	9 649
Service charges - water revenue	363	348	317	323	392	300	324	367	226	224	467	328	3 979	4 226	4 475
Service charges - sanitation revenue	123	126	116	133	122	117	128	125	217	228	225	257	1 920	2 039	2 159
Service charges - refuse revenue	88	90	86	89	82	86	87	83	82	87	83	59	1 001	1 063	1 126
Service charges - other													-	-	-
Rental of facilities and equipment	47	13	24	29	26	10	38	29	25	46	29	8	325	347	370
Interest earned - external investments	-	56	67	49	-	36	30	48	12	24		11	333	354	354
Interest earned - outstanding debtors	35	49	48	49	44	45	49	40	47	38	47	21	510	542	574
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	155	114	115	114	104	238	254	215	216	205	279	202	2 211	2 352	2 491
Licences and permits	17	12	23	13	13	28	26	20	25	20	26	63	287	304	322
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	10 148	400		451	6 691	602		300	4 838	602		1 991	26 023	28 451	30 322
Other revenue	46	873	207	59	97	181	155	126	125	201	175	123	2 368	2 509	2 695
Cash Receipts by Source	11 891	3 026	1 771	2 115	8 355	2 592	2 025	2 162	6 713	2 796	2 370	4 175	49 990	53 930	57 353
Other Cash Flows by Source															
Transfer receipts - capital	1 500			5 770					5 786			0	13 056	13 549	14 100
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)												-			
Proceeds on disposal of PPE							2 653			2 653		-	5 305	1 600	
Short term loans												-			
Borrowing long term/refinancing												-			
Increase (decrease) in consumer deposits												-			
Decrease (increase) in non-current debtors												-			
Decrease (increase) other non-current receivables												-			
Decrease (increase) in non-current investments												-			
Total Cash Receipts by Source	13 391	3 026	1 771	7 885	8 355	2 592	4 677	2 162	12 499	5 449	2 370	4 175	68 352	69 079	71 453
Cash Payments by Type															
Employee related costs	1 587	1 817	1 839	1 012	1 151	3 055	2 220	2 215	2 216	2 221	2 216	2 244	23 792	25 696	28 008
Remuneration of councillors	200	200	200	191	190	190	408	238	238	238	238	473	3 004	3 244	3 536
Finance charges	52	61	60	54	76	81	17	47	57	57	67	51	680	771	816
Bulk purchases - Electricity	579	550	1 603	807	766	981	1 640	830	810	1 613	906	675	11 760	13 434	14 346
Bulk purchases - Water & Sewer	24	30	35	30	26	26	32	21	41	21	31	54	373	396	419
Other materials	142	142	168	174	191	190	104	150	106	144	100	224	1 836	1 613	1 703
Contracted services		59			60			58				45	221	235	249
Transfers and grants - other municipalities												-			
Transfers and grants - other												-			
Other expenditure	481	412	893	879	699	882	784	788	656	784	798	533	8 590	8 854	8 159
Cash Payments by Type	3 065	3 271	4 799	3 147	3 159	5 405	5 205	4 348	4 125	5 078	4 356	4 298	50 257	54 242	57 237
Other Cash Flows/Payments by Type															
Capital assets	1 500			5 770					5 786			0	13 056	13 549	14 100
Repayment of borrowing		68			68			68				68	270	270	270
Other Cash Flows/Payments												-			
Total Cash Payments by Type	4 565	3 339	4 799	8 917	3 227	5 405	5 205	4 416	9 911	5 078	4 356	4 366	63 583	68 061	71 607
NET INCREASE/(DECREASE) IN CASH HELD	8 827	(313)	(3 027)	(1 033)	5 128	(2 813)	(528)	(2 254)	2 589	371	(1 986)	(191)	4 769	1 018	(154)
Cash/cash equivalents at the monthly/year begin:		8 827	8 514	5 487	4 454	9 582	6 769	6 241	3 986	6 575	6 946	4 960	-	4 769	5 787
Cash/cash equivalents at the monthly/year end:	8 827	8 514	5 487	4 454	9 582	6 769	6 241	3 986	6 575	6 946	4 960	4 769	4 769	5 787	5 633

Table 21: Monthly targets for revenue and cash flow (Support Table SA30)

14 COUNCILLOR AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

No provision for performance bonuses has been made as this is not affordable at this stage. Remuneration is to a large degree negotiated at a national level and Thembelihle will have to implement the agreed to increases whether it is affordable or not. Due to the tight cash flow situation, Council has taken a decision that only critical posts will be filled until such time that the cash flow situation has improved. This will put a burden on staff to meet the vast number of reports having to be submitted as required by legislation. It will not always be possible to meet all deadlines, but we will endeavor to comply with legislation. This aspect also places a burden on our ability to work towards a clean audit opinion.

NC076 Thembelihle - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4							-
Chief Whip								-
Executive Mayor								-
Deputy Executive Mayor								-
Executive Committee			1 959 704	495 195	184 800			2 639 699
Total for all other councillors								-
Total Councillors	8	-	1 959 704	495 195	184 800			2 639 699
Senior Managers of the Municipality	5							
Municipal Manager (MM)			792 706	115 178	93 892			1 001 776
Chief Finance Officer			582 837	123 695	148 537			855 069
								-
								-
								-
<i>List of each official with packages >= senior manager</i>								
Manager:Corporate Services			582 837	123 695	148 537			855 069
Manager : Technical Services			582 837	123 695	148 537			855 069
								-
								-
								-
								-
								-
								-
								-
								-
								-
Total Senior Managers of the Municipality	8,10	-	2 541 217	486 263	539 505	-		3 566 985
A Heading for Each Entity	6,7							
List each member of board by designation								
Speaker								-
Chief Whip								-
Executive Mayor								-
Deputy Executive Mayor								-
Executive Committee								-
Chair person of s 79 committee								-
								-
								-
								-
								-
								-
								-
								-
								-
Total for municipal entities	8,10	-	-	-	-	-		-
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	-	4 500 921	981 459	724 305	-		6 206 684

Table 22: Salaries, allowances & benefits (political office bearers/councilors/senior managers) (Support Table SA23)

NC076 Thembelihle - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		1 710	2 260	1 979	2 118	2 159	2 159	1 960	2 095	2 237
Pension and UIF Contributions		58	74	256	274	211	211	346	370	395
Medical Aid Contributions		34	40	132	141	68	68	149	158	167
Motor Vehicle Allowance		128	97	270	288	100	100	—	—	—
Cellphone Allowance		19	27	171	183	144	144	185	196	207
Housing Allowances										
Other benefits and allow ances										
Sub Total - Councillors		1 949	2 498	2 808	3 004	2 682	2 682	2 640	2 818	3 007
% increase	4		28.2%	12.4%	7.0%	(10.7%)	—	(1.6%)	6.8%	6.7%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		1 478	1 641	2 056	2 351	2 984	2 984	2 541	2 717	2 901
Pension and UIF Contributions		206	224	375	367	350	350	486	520	555
Medical Aid Contributions						—	—	—	—	—
Overtime						—	—	—	—	—
Performance Bonus						15	15	—	—	—
Motor Vehicle Allowance	3	440	312	300	552	179	179	340	364	389
Cellphone Allowance	3	15	4	43	50	—	—	33	35	38
Housing Allowances	3	—	—	—	—	—	—	—	—	—
Other benefits and allow ances	3	170	—	15	—	85	85	166	177	190
Payments in lieu of leave		—	43	—						
Long service awards		—	—	—						
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		2 309	2 223	2 789	3 320	3 614	3 614	3 567	3 813	4 072
% increase	4		(3.7%)	25.4%	19.1%	8.8%	—	(1.3%)	6.9%	6.8%
Other Municipal Staff										
Basic Salaries and Wages		10 433	12 994	13 673	15 002	17 612	17 897	16 067	17 233	18 468
Pension and UIF Contributions		1 721	2 093	1 967	2 289	2 504	2 384	2 425	2 564	2 708
Medical Aid Contributions		573	619	752	753	708	670	1 596	1 690	1 788
Overtime		1 097	1 706	1 204	1 061	1 036	1 036	1 188	1 270	1 357
Performance Bonus		—	—	960	1 104	1 417	1 364	1 183	1 268	1 359
Motor Vehicle Allowance	3	83	94			58	58	—	—	—
Cellphone Allowance	3	24	67	(14)		37	37	12	13	14
Housing Allowances	3	18	29	47	50	33	33	53	57	61
Other benefits and allow ances	3	1 698	1 895	8	85	—	—	82	87	92
Payments in lieu of leave		360	444	623	667	310	310	714	763	815
Long service awards		397	23		4	—	—	4	4	4
Post-retirement benefit obligations	6			702	790	63	63	70	75	79
Sub Total - Other Municipal Staff		16 404	19 964	19 921	21 804	23 778	23 851	23 394	25 024	26 746
% increase	4		21.7%	(0.2%)	9.5%	9.1%	0.3%	(1.9%)	7.0%	6.9%
Total Parent Municipality		20 661	24 686	25 518	28 129	30 074	30 147	29 601	31 655	33 825
			19.5%	3.4%	10.2%	6.9%	0.2%	(1.8%)	6.9%	6.9%
Board Members of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allow ances	3									
Board Fees										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Board Members of Entities		—	—	—	—	—	—	—	—	—
% increase	4		—	—	—	—	—	—	—	—
Senior Managers of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allow ances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Entities		—	—	—	—	—	—	—	—	—
% increase	4		—	—	—	—	—	—	—	—
Other Staff of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allow ances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Staff of Entities		—	—	—	—	—	—	—	—	—
% increase	4		—	—	—	—	—	—	—	—
Total Municipal Entities		—	—	—	—	—	—	—	—	—
TOTAL SALARY, ALLOWANCES & BENEFITS										
		20 661	24 686	25 518	28 129	30 074	30 147	29 601	31 655	33 825
% increase	4		19.5%	3.4%	10.2%	6.9%	0.2%	(1.8%)	6.9%	6.9%
TOTAL MANAGERS AND STAFF	5,7	18 712	22 188	22 710	25 125	27 392	27 465	26 961	28 837	30 818

Table 23: Councilor allowances and employee benefits (Support Table SA22)

15 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS – INTERNAL DEPARTMENTS

In terms of Section 53 (1)(c)(ii) of the MFMA, the Service Delivery and Budget Implementation Plan (SDBIP) is defined as a detailed plan approved by the mayor of a municipality for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate the following :

- (a) Projections for each month of
 - Revenue to be collected, by source; and
 - Operational and capital expenditure, by vote.
- (b) Service delivery targets and performance indicators for each quarter, and
- (c) Other matters prescribed.

The Executive Mayor, in accordance with Section 53 of the MFMA, is expected to approve the SDBIP within 28 days after the approval of the budget. In addition, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators as set out in the SDBIP are made public with 14 days after its approval.

The SDBIP gives effect to the Integrated Development Plan and the budget of the municipality. It is an expression of the objectives of the Municipality in quantifiable outcomes which will be implemented by the administration for the financial period from 1 July 2016 to 30 June 2017 (the Municipality's financial year). It includes the service delivery targets and performance indicators for each quarter which should be linked to the performance agreements of senior management. It therefore facilitates oversight over financial and non-financial performance of the municipality and allows the Municipality Manager to monitor the performance of the Executive Directors, the Mayor/Council to monitor the performance of the Municipality Manager, and the Community to monitor the performance of the Municipality Government.

The SDBIP for the 2017/2018 financial year will be approved by the Mayor in June 2017 after approval of the Budget.

Providing clean water and managing waste water

DRINKING WATER QUALITY AND WASTE WATER MANAGEMENT

THEMBELIHLE MUNICIPAL WATER SERVICE AUTHORITY AND PROVIDER

Thembelihle Municipality is the Water Service Authority and Provider.

This responsibility falls under the Technical Department's water and wastewater sections. The Technical Manager is the responsible person.

BLUE DROP PERFORMANCE

Water quality in both Hopetown and Steynville is good and complies with SAN 241 specifications. We have recorded problems where samples have been analysed in Kimberley. The results have indicated that free chlorine is above 1 mg/ℓ but we still obtain an E-coli count. This is not possible and so we are investigating the issue of contamination at the laboratory.

The Table below shows our Blue Drop Score.

Thembelihle Local Municipality
from www.dwa.gov.za

Supply Area of Strydenburg

The Town of Strydenburg, Deetliffville and Mandela Square and Informal area

Treatment:

Raw water is abstracted from several boreholes. Water is disinfected using calcium hypochlorite at the central command reservoir.

Current Water Quality:



Excellent Microbiological Water Quality
Compliance but with Operational (*Not Monitored*) non-compliance.

Blue Drop Status:

2009 (Blue Drop Report 2010) not participated.

2010 (Blue Drop Report 2011) 29.44%

2011 (Blue Drop Report 2012) 62.49%

Regulatory Comments:

See below.

Supply Area Hopetown

The Town of Hopetown, Steynville, Tamboville, Vergenoeg, Sewendelaan, Houjoubek, Informal areas of Goutrou,

Industrial area and plots

Treatment:

Conventional processes of flash mixing, coagulation, flocculation, clarification, filtration and disinfection Raw water from boreholes.

Current Water Quality:



Excellent Drinking Water Quality
Compliance!

Blue Drop Status:

2009 (Blue Drop Report 2010) not participated.

2010 (Blue Drop Report 2011) 54.08%

2011 (Blue Drop Report 2012) 77.71%

Regulatory Comments:

The Department salutes the tremendous efforts made by Thembelihle Local Municipality to improve previous audit performance challenges. As a small municipality with an even smaller revenue base, Thembelihle displays what is possible if those responsible are dedicated to manage drinking water quality according to the set regulatory requirements. The Department congratulates all involved.

The four non-complying microbiological results in the Strydenburg water supply system slightly spoiled the performance. But it is trusted that disinfection procedures and the full implementation of the water safety planning process will ensure a turn-around in this regard.

Average consumption figures are reasonably high. It is therefore required that the municipality would give attention to this aspect of the water business, especially in light of the arid nature of the two Northern Cape towns, which the municipality is taking responsibility for.

2011 Municipal Score (2012 Report)

THEMBELIHLE LOCAL MUNICIPALITY NORTHERN CAPE

Water Service Provider

THEMBELIHLE LOCAL MUNICIPALITY

OVERALL SCORE

72.82%

This places us second in the Northern Cape and we wish to salute Ms Linda van Wyk for her efforts.

GREEN DROP PERFORMANCE RATINGS

Performance of our wastewater treatment works both in Hopetown and Strydenburg have low ratings. Thembelihle Municipality was audited last year and the results of that audit are shown in the Table below.

<i>System Name</i>	WSP No.	Design Capacity (Ml/d)	2013 System Score (%)	2011 System Score (%)
Hopetown (Old Plant)		0.80	E+	62.40
Hopetown (New Plant)		1.30	D+	
Strydenburg (Old Plant)		0.25	C-	26.00
Strydenburg (New Plant)		0.55	C-	

We have many areas in which to improve and this will be part of our business plan for 2013/2014.

RISK-BASED WATER SAFETY PLAN

Risk-based approach to the management of our water infrastructure is critical to ensuring the effective and efficient delivery of water services to Thembelihle residents.

Risks identified include:

- Abstraction license with van der Kloof WUA for abstracting water from the Orange River in Hopetown
- Abstraction licenses for all boreholes in Strydenburg
- Addressing the high risk associated with the abstraction pump station at Hopetown
- Registration and licensing of the water treatment works and the wastewater treatment works
- Effective training and registration of our process controllers
- Effective Water Conservation Water Demand Management of the infrastructure
- Addressing the lack of back-up power generators for all pump stations in both Hopetown and Strydenburg
- Aged asbestos cement pipes which burst regularly

- Addressing the disinfection management of potable water in Strydenburg
- Addressing the hardness of the potable water in Strydenburg possible by the introduction of lime softening
- Leaking command reservoir in Deetlefsville
- Addressing health and safety issues throughout all infrastructure in Hopetown and Strydenburg
- Inability to attract skilled artisans and professional to Thembelihle
- Problem with aged vehicles, plant and equipment to operate and maintain Thembelihle's infrastructure

The following key components have been addressed:

- New 4,6 Mℓ/d WTW which was commissioned in May 2013
- Planning has begun on the refurbishment of the abstraction pump station on the Orange River at Hopetown
- Refurbished bulk water supply scheme to Steynville
- Planning for the upgrading of the water resources in Strydenburg by equipping new boreholes in Fairfield

ACIP funding has been granted to Thembelihle for the replacement of bulk and domestic meters that are out of order. This will make a significant improvement to our unaccounted-for water losses which is currently standing at 48,4% of the potable water produced.



16 RECONCILIATION OF IDP STRATEGIC OBJECTIVES AND CAPITAL BUDGET

NC076 Thembelihle - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand												
Sustaining the Natural and Built Environment	Services	A		3 047	19 748	20 990	5 716	6 281	6 281	4 000	4 240	4 494
Economic Development and Job Creation	Planning & Development	B		7 683	415		8 567	7 692	7 692	9 056	9 309	9 606
Quality Living Environment	Recreation	C										
Safe, Health and Secure Environment	Health & Public Safety	D										
Empowering our Citizens	Library	E										
Embracing our Cultural Diversity	Community	F		205								
Good Governance	Public Participation (Council)	G										
Financial Viability and Sustainability	Financial Management	H		13	451	481	40	(40)				
Operations and Support Services	Coporate Services	I										
		J										
		K										
		L										
		M										
		N										
		O										
		P										
Allocations to other priorities			3									
Total Capital Expenditure			1	10 948	20 614	21 471	14 323	13 933	13 973	13 056	13 549	14 100

Table 24: Reconciliation of IDP strategic objective and budget (capital Expenditure) (Supporting table SA6)

NC076 Thembelihle - Supporting Table SA34a Capital expenditure on new assets by asset class[illegible]

Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets										
Intangible Assets		-	87	-	-	-	-	-	-	-
Servitudes										
Licences and Rights		-	87	-	-	-	-	-	-	-
Water Rights										
Effluent Licenses										
Solid Waste Licenses										
Computer Software and Applications			87							
Load Settlement Software Applications										
Unspecified										
Computer Equipment		-	-	-	40	(40)	-	-	-	-
Computer Equipment					40	(40)	-			
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment							-			
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment										
Transport Assets		-	-	-	-	-	-	-	-	-
Transport Assets										
Libraries		-	-	-	-	-	-	-	-	-
Libraries										
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals										
Total Capital Expenditure on new assets	1	3 047	19 835	26 015	14 323	13 933	13 973	13 056	13 549	14 100

Table 25: Capital expenditure by Asset class/ sub class (Supporting Table SA34(a))

17 LEGISLATION COMPLIANCE STATUS

1. **Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:**

Budget and Treasury Office

A budget office and Treasury office has been established in accordance with the MFMA.

Budgeting

The annual budget is prepared in accordance with the requirements prescribed by National Treasury and the MFMA.

- **Financial reporting**
100% compliance with regards to monthly, quarterly and annual reporting to the Executive Mayor, Mayoral Committee, Council, Provincial and National Treasury.
- **Annual Report**
The annual report is prepared in accordance with the MFMA and National Treasury requirements.
- **Internship Programme**
The Municipality of Thembelihle in participating in the Municipal Finance Management Internship Programme has employed a number of interns undergoing training in various finance departments. One of the interns completed the two-year training period and has taken up permanent employment within Finance. Five interns are currently employed in the Treasury department.

18 NATIONAL TREASURY DIRECTIVES

Key issues addressed in National Treasury Circular 79: Municipal Budget Circular for the 2016/17 MTREF and Circular 85 – Municipal Budget Circular for the 2017/18 MTREF

1. The South African economy and inflation targets

The 2016 Medium Term Budget Policy Statement emphasised that the global recovery from the 2008 financial crisis remains precarious, with growth forecast at 3.1 per cent in 2016 and 3.4 per cent in 2017. In developed economies, the combination of weak economic growth, low or negative interest rates, and elevated asset prices has increased the likelihood of renewed financial volatility.

Domestic GDP growth for 2016 was forecasted at 0.9 per cent at the time of the 2016 Budget and it has since been revised to 0.5 per cent. It is anticipated that factors such as a more reliable electricity supply, improved labour relations, low inflation, a recovery in business and consumer confidence, stabilising commodity prices and stronger global growth will increase growth to 2.2 per cent by 2019.

Economic challenges will continue to pressurise municipal revenue generation and collection hence a conservative approach has been followed for projecting revenue. Thembelihle Local Municipality is trying to improve its efforts to limit non-priority spending and to implement stringent cost-containment measures.

A major challenge has been to facilitate and encourage semi and unskilled labour absorptive growth. With financial services being the major driver of the Municipality economy its high end skills employer and does not create jobs at scale necessary to address employment challenges.

2. Key focus areas for the 2017/18 budget process

Conditional grants and additional allocations

The purpose of conditional grants is to deliver on national government service delivery priorities. It is imperative that municipalities understand and comply with the conditions stipulated in the Division of Revenue Act (DoRA) in order to access this funding. The equitable share and the sharing of the general fuel levy constitute additional unconditional funding, of which the equitable share is designed to fund the provision of free basic services to disadvantaged communities.

The 2017/18 DoRA Bill indicates that for the 2017 MTEF period, transfers to local government total R366.3 billion, of which 61.8 per cent is transferred as unconditional allocations while the remainder is conditional grants. National funding to local government has increased to R112.5 billion or 9.1 per cent of the national revenue for 2017/18 and is expected to increase to R132.3 billion by 2019/20.

In addition to these policies and procedures, the Municipality makes use of an external service provider to verify the HDI status of vendor. The HDI status is used as part of the scoring when awarding to vendors, over and above the scoring of price and functionality (functionality is determined by the requisitioning department). With regard to the procurement of goods and services up to a value of R200 000, the buyers are placed in commodities and are rotated on an annual basis.

Compliance

The Municipality's SCM policy is adopted in accordance with legislation. The supply chain processes are linked to this policy and each process is followed and monitored through regular internal, external and ISO audits.

3. Eskom bulk tariff increases

Implementation of Inclining Block Tariff (IBT):

NERSA conceded that implementation challenges exist for municipalities and agreed:-

- The industry is not expected to implement IBT during the 2016/2017 financial year.
- The 4 (four) block structure of the IBT and the energy rates per block detailed in the Media statement of 24 February 2010 are *'mere guidelines and municipalities may deviate from it'*.

4. Providing clean water and managing waste water

The Municipality of Thembelihle performs the roles of both the Water Service Authority and Water Service Provider i.e. actually manages the provision of drinking water and treatment of wastewater.

5. Phasing in on formats and tables – Repairs and Maintenance

NT Circular 74 stipulated that repairs and maintenance 'must be broken-up into component expenditure types for the 2015/2016 budget' and not reported on as a subjective category.

In order for the Municipality to be compliant, a rework of the repairs and maintenance subjective category had to be undertaken. A new allocation structure was created to allocate the budgetary provision by cost element of 'component expenditure' for the 2016/2017 budget

CAPITAL EXPENDITURE DETAILS

NC076 Thembelihle - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code 2	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2017/18 Medium Term Revenue & Expenditure Framework			Project information	
R thousand	4									Audited Outcome 2015/16	Current Year 2016/17 Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Ward location	New or renewal
Parent municipality:																
List all capital projects grouped by Municipal Vote																
Planning and Development																
Water		Steynville: Outfall Sewer (MIG)			No	Sanitation Infrastructure	Water Treatment Works		7 122	-	-	600				New
Planning and Development		INEP			Yes	Storm water Infrastructure	Water Treatment Works		1 000	-	-	1 000				New
Planning and Development		Steynville: Upgrading of roads (MIG)			Yes	Roads Infrastructure	Road Structures		77 788	-	-	8 261				New
Planning and Development		Deetlerville upgrading of roads (MIG)			Yes	Roads Infrastructure	Road Structures		18 000			225				New
Planning and Development		VIP Toilets (from WSIG)			Yes	Sanitation Infrastructure	Waste Water Treatment Works		4 000			4 000				New
Planning and Development		PMU (Only Salaries; not of a capital nature)			Yes	Non-revenue Generating	Unspecified		478			478				New

Table 26: Capital budget detail (Support Table SA36)

20 OTHER SUPPORTING DOCUMENTS

Operating Revenue by Source and Operating Expenditure by Type

NC076 Thembelihle - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Ref	Vote 1 - Executive Council	Vote 2 - Budget & Treasury	Vote 3 - Corporate Service	Vote 4 - Community & Social Service	Vote 5 - Public Safety	Vote 6 - Planning & Development	Vote 7 - Road Transport	Vote 8 - Electricity	Vote 9 - Water	Vote 10 - Waste Water Management	Vote 11 - Waste Management	0	0	Vote 14 - [NAME OF VOTE 14]	Vote 15 - [NAME OF VOTE 15]	Total
R thousand	1																
Revenue By Source																	
Property rates			4 207														4 207
Service charges - electricity revenue									12 768								12 768
Service charges - water revenue										12 431							12 431
Service charges - sanitation revenue											4 042						4 042
Service charges - refuse revenue																	-
Service charges - other																	-
Rental of facilities and equipment				267	57		8										332
Interest earned - external investments																	-
Interest earned - outstanding debtors																	-
Dividends received																	-
Fines, penalties and forfeits																	-
Licences and permits																	-
Agency services																	-
Other revenue		19 367	2 703	565	1 357		10 041	2 855				2 122					39 011
Transfers and subsidies					1 204												1 204
Gains on disposal of PPE				5 000													5 000
Total Revenue (excluding capital transfers and contributions)		19 367	6 910	5 832	2 618	-	10 049	2 855	12 768	12 431	4 042	2 122	-	-	-	-	78 996
Expenditure By Type																	
Employee related costs		1 025	6 302	4 010	1 315		6 380	1 755	901	3 323	927	1 024					26 961
Remuneration of councillors		2 640															2 640
Debt impairment																	-
Depreciation & asset impairment					390		2 262		1 987	1 113	510	400					6 662
Finance charges			270														270
Bulk purchases				14					11 397	373							11 785
Other materials																	-
Contracted services																	-
Transfers and subsidies							640										640
Other expenditure		1 573	8 798	2 074	230	35	1 236	444	1 379	2 017	1 618	918					20 324
Loss on disposal of PPE																	-
Total Expenditure		5 237	15 370	6 099	1 935	35	10 518	2 199	15 665	6 826	3 056	2 341	-	-	-	-	69 281
Surplus/(Deficit)		14 130	(8 460)	(266)	684	(35)	(469)	656	(2 896)	5 605	987	(219)	-	-	-	-	9 715
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)																	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)																	-
Transfers and subsidies - capital (in-kind - all)																	-
Surplus/(Deficit) after capital transfers & contributions		14 130	(8 460)	(266)	684	(35)	(469)	656	(2 896)	5 605	987	(219)	-	-	-	-	9 715

Table 27: Operating revenue by source and operating expenditure by type per vote (Supporting Table SA2)

ANNEXURE 1: RATES POLICY

INTRODUCTION

1.1 The Local Government: Municipal Property Rates Act (2004) requires THEMBELIHLE MUNICIPALITY to develop and adopt a rates policy consistent with the Act on levying of rates on rateable property in the municipality.

1.2 In developing and adopting this rates policy, THEMBELIHLE MUNICIPALITY has sought to give effect to the sentiments expressed in the preamble of the Property Rates Act, namely that:

The Constitution enjoins local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities;

There is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfil its developmental responsibilities;

Revenues derived from property rates represent a critical source of income for municipalities to achieve constitutional objectives, especially in areas neglected in the past because of racially discriminatory legislation and practices; and

It is essential that municipalities exercise their power to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation and which takes account of historical imbalances and the burden of rates on the poor.

1.3 In applying its rates policy, the Council shall adhere to all requirements of the Property Rates Act, 2004 (Act no. 6 of 2004) including any regulations promulgated in terms of the Act.

DEFINITIONS

2.1 In this Policy, a word or expression derived from a word or expression defined in this subsection has a corresponding meaning unless the context indicates that another meaning is intended:

“agent”, in relation to the owner of a property, means a person appointed by the owner of the property—

(a) to receive rental or other payments in respect of the property on behalf of the owner; or

(b) to make payments in respect of the property on behalf of the owner;

“agricultural purpose”, in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game; **“annually”** means once every financial year;

“appeal board” means a valuation appeal board established in terms of section 56;

“assistant municipal valuer” means a person designated as an assistant municipal valuer in terms of section 35(1) or (2);

“category” —

- (a) in relation to property, means a category of properties determined in terms of section; and
- (b) in relation to owners of properties, means a category of owners determined in terms of section 15(2);

“data-collector” means a person designated as a data-collector in terms of section 36;

“date of valuation” means the date determined by a municipality in terms of section 31(1);

“district management area” means a part of a district municipality which in terms of section 6 of the Municipal Structures Act has no local municipality and is governed by that municipality alone;

“district municipality” means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality;

“effective date” —

- (a) in relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1); or
- (b) in relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78(2)(b);

“exclusion”, in relation to a municipality’s rating power, means a restriction of that power as provided for in section 17;

“exemption”, in relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15;

“financial year” means the period starting from 1 July in a year to 30 June the next year;

“Income Tax Act” means the Income Tax Act, 1962 (Act No. 58 of 1962);

“land reform beneficiary”, in relation to a property, means a person who— (a) acquired the property through—

- (i) the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or
 - (ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);
- (b) holds the property subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996); or

- (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after this Act has taken effect;

“land tenure right” means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004;

“local community”, in relation to a municipality—

- (a) means that body of persons comprising—
- (i) the residents of the municipality;
 - (ii) the ratepayers of the municipality;
 - (iii) any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality; and
 - (iv) visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality; and
- (b) includes, more specifically, the poor and other disadvantaged sections of such body of persons;

“local municipality” means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

“market value”, in relation to a property, means the value of the property determined in accordance with section 46;

“MEC for local government” means the member of the Executive Council of a province who is responsible for local government in that province;

“Minister” means the Cabinet member responsible for local government;

“multiple purposes”, in relation to a property, means the use of a property for more than one purpose;

“municipal council” or **“council”** means a municipal council referred to in section 18 of the Municipal Structures Act;

“Municipal Finance Management Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

“municipality”—

- (a) as a corporate entity, means a municipality described in section 2 of the Municipal Systems Act; and

(b) as a geographical area, means a municipal area demarcated in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998); the THEMBELIHLE MUNICIPALITY.

“municipal manager” means a person appointed in terms of section 82 of the Municipal Structures Act;

“Municipal Structures Act” means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

“Municipal Systems Act” means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

“municipal valuer” or **“valuer of a municipality”** means a person designated as a municipal valuer in terms of section 33(1);

“newly rateable property” means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding—

- (a) a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
- (b) a property identified by the Minister by notice in the *Gazette* where the phasing-in of a rate is not justified;

“occupier”, in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property;

“organ of state” means an organ of state as defined in section 239 of the Constitution;

“owner”—

- (a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
- (b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”, provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:

- (i) A trustee, in the case of a property in a trust excluding state trust land;
- (ii) an executor or administrator, in the case of a property in a deceased estate;
- (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- (iv) a judicial manager, in the case of a property in the estate of a person under judicial management;
- (v) a curator, in the case of a property in the estate of a person under curatorship;
- (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
- (viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

“permitted use”, in relation to a property, means the limited purposes for which the property may be used in terms of —

- (a) any restrictions imposed by —
 - (i) a condition of title;
 - (ii) a provision of a town planning or land use scheme; or
 - (iii) any legislation applicable to any specific property or properties; or
- (b) any alleviation of any such restrictions;

“person” includes an organ of state;

“prescribe” means prescribe by regulation in terms of section 83;

“property” means—

- (a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- (b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;

- (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- (d) public service infrastructure;

“property register” means a register of properties referred to in section 23;

“protected area” means an area that is or has to be listed in the register referred to in section 10 of the Protected Areas Act;

“Protected Areas Act” means the National Environmental Management: Protected Areas Act, 2003;

“publicly controlled” means owned by or otherwise under the control of an organ of state, including —

- (a) a public entity listed in the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- (b) a municipality; or
- (c) a municipal entity as defined in the Municipal Systems Act;

“public service infrastructure” means publicly controlled infrastructure of the following kinds:

- (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) railway lines forming part of a national railway system;
- (f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;
- (g) runways or aprons at national or provincial airports;
- (h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;

- (i) any other publicly controlled infrastructure as may be prescribed; or
- (j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

“rate” means a municipal rate on property envisaged in section 229(1) (a) of the Constitution;

“rateable property” means property on which a municipality may in terms of section 2 levy a rate, excluding property fully excluded from the levying of rates in terms of section 17;

“rebate”, in relation to a rate payable on a property, means a discount granted in terms of section 15 on the amount of the rate payable on the property;

“reduction”, in relation to a rate payable on a property, means the lowering in terms of section 15 of the amount for which the property was valued and the rating of the property at that lower amount;

“register”—

- (a) means to record in a register in terms of—
 - (i) the Deeds Registries Act, 1937 (Act No. 47 of 1937); or
 - (ii) the Mining Titles Registration Act, 1967 (Act No. 16 of 1967); and
- (b) includes any other formal act in terms of any other legislation to record—
 - (i) a right to use land for or in connection with mining purposes; or (ii) a land tenure right;

“residential property” means a property included in a valuation roll in terms of section 48 (2) (b) as residential;

“Sectional Titles Act” means the Sectional Titles Act, 1986 (Act No. 95 of 1986);

“sectional title scheme” means a scheme defined in section 1 of the Sectional Titles Act;

“sectional title unit” means a unit defined in section 1 of the Sectional Titles Act;

“specified public benefit activity” means an activity listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of Part 1 of the Ninth Schedule to the Income Tax Act;

“state trust land” means land owned by the state—

- (a) in trust for persons communally inhabiting the land in terms of a traditional system of land tenure;
- (b) over which land tenure rights were registered or granted; or
- (c) which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);

“this Act” includes regulations made in terms of section 83.

ADOPTION AND CONTENTS OF RATES POLICY

3.1 The THEMBELIHLE MUNICIPALITY will adopt a policy on levying rates on rateable property in the THEMBELIHLE municipal area.

3.2 The rates policy shall:

treat persons liable for rates equitably; determine the criteria to be applied by the municipality if it – levies different categories of properties; exempts a specific category of owners of properties, or the owners of a specific category of properties, from payment on their properties;

grants to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rate payable in respect of their properties; or

increases rates;

determine, or provide criteria for the determination of – categories of properties for the purpose of levying different rates as contemplated in paragraph (b)(i); and

categories of owners of properties, or categories of properties, for the purpose of granting exemptions, rebates and reductions as contemplated in paragraph

(b)(ii) or (iii);

determine how the municipality's powers in terms of section 9(1) must be exercised in relation to properties used for multiple purposes;

identify and quantify in terms of cost to the municipality and any benefit to the local

community—

exemptions, rebates and reductions; exclusions referred to in section 17(1)(a),(e),(g), (h) and (i) of the Act; and rates on properties that must be phased in, in terms of section 21 of the Act;

take into account the effect of rates on the poor and include appropriate measures to alleviate the rates burden on them;

take into account the effect of rates on organisations conducting specified public benefit activities and registered in terms of the Income Tax Act for tax reductions because of those activities, in the case of property owned and used by such organisations for those activities;

take into account the effect of rates on public service infrastructure; allow the municipality to promote local, social and economic development; and identify, on a basis as may be prescribed, all rateable properties in the municipality that are not rated in terms of section 7(2)(a) of the Act .

3.3 Any exemptions, rebates or reductions referred to in subsection (3) and provided for in a rates policy adopted by a municipality must comply and be implemented in accordance with a

national framework that may be prescribed after consultation with organised local government.

3.4 Council may not grant relief in respect of the payment of a rate – to a category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, a rebate or a reduction provided for in its rates policy and granted in terms of section 15 of the Act; or

to the owners of properties on an individual basis.

LEVYING OF RATES

4.1 Rates payable

The THEMBELIHLE MUNICIPALITY shall as part of each annual operating budget component impose a rate in the rand on the market value of all rateable property as recorded in the municipality's valuation roll and supplementary valuation roll.

Rates to be levied on all rateable property

THEMBELIHLE MUNICIPALITY may levy rates on all rateable property in its area. Section 7(1) of the Act does not--

- (a) oblige the municipality to levy rates on— properties of which that municipality is the owner; public service infrastructure owned by a municipal entity; properties referred to in paragraph (b) of the definition of “property” in section 1 of the Act; or properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racially discriminatory laws or practices; or
- (b) prevent a municipality from granting in terms of section 15 exemptions from, rebates on or reductions in rates levied in terms of subsection 4.1 of this policy.

Differential rates

- (1) Subject to section 19 of the Act, a municipality may levy rates for different categories of rateable property, which may include categories determined according to the— use of the property; permitted use of the property; or geographical area in which the property is situated.

(2) Categories of rateable property may include the following:

residential properties; industrial properties; business and commercial properties; farm properties used for— agricultural purposes; other business and commercial purposes; residential purposes; or purpose other than those specified in subparagraphs (i) to (iii);

farm properties not used for any purpose; smallholdings used for— agricultural purposes; residential purposes; industrial purposes; business and commercial purposes; or purposes other than those specified in subparagraphs (i) to (iv); state-owned properties; municipal properties; public service infrastructure; privately owned towns serviced by the owner; formal and informal settlements; communal land as defined in section 1 of the Communal Land Rights Act, 2004; state trust land; protected areas; properties on which national monuments are proclaimed;

properties owned by public benefit organisations and used for any specific public

benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax

Act; or properties used for multiple purposes.

Rates on properties used for multiple purposes will be levied on properties used for:

- a) a purpose corresponding with the permitted use of the property, if the permitted use of the property is regulated.
- b) a purpose corresponding with the dominant use of the property; or
- c) by apportioning the market value of the property to the different purposes for which the property is used; and
- d) applying the relevant cent amount in the Rand to the corresponding apportioned market value.

Levying of rates on property in sectional title schemes

A rate on a property which is subject to a sectional title scheme will be levied on the body corporate for the current valuation roll or supplementary valuation roll. With the implementation of the new valuation roll, a rate on a property which is subject to a sectional title scheme will be levied on the individual sectional title units in the scheme and not on the property as a whole. This does not apply in respect of rates levied against a valuation roll or supplementary roll prepared before the effective date of the first valuation roll as prepared in terms of the Act. This process will be phased in over a period of four years counting from the date of implementation of the Property Rates Act 2004, (Act no. 6 of 2004).

Period for which rates may be levied

THEMBELIHLE MUNICIPALITY will levy the rate for a financial year. The levying of rates forms part of this municipality's annual budget process as set out in Chapter 4 of the Municipal Finance Management Act. Exemptions, reductions and rebates

- (a) In imposing the rate in the rand for each annual operating budget component, the council shall grant the following exemptions, rebates and reductions to the categories of properties and categories of owners indicated below, but the council reserves the right to amend these exemptions, rebates and reductions if the circumstances of a particular budget so dictate.
- (b) In determining whether a property forms part of a particular category indicated below, the council shall have regard to the actual use to which the relevant property is put. In the case of vacant land not specifically included in any of the categories indicated below, the permitted use of the property shall determine into which category it falls.
- (c) Such exemptions, reductions and rebates must be indicated in the tariff and rate schedule approved by the council annually.

Exemptions

The following categories of owners of properties may be exempted from payment of a rate on their properties:

properties on which national monuments are situated, and where no business or commercial activities are conducted in respect of such monuments;

properties owned by public benefit (welfare/humanitarian) organisations and used

to further the objectives of such organisations; or

- (iii) properties of which the Municipality is the owner;
- (iv) public service infrastructure owned by the Municipality;
- (v) properties in respect of which it is impossible or unreasonable difficult to establish a market value because of legally insecure tenure attributable to past racially discriminatory laws or practices;

Council may in terms of the Municipal Property Rates Act, 2004, identify other properties to be exempted from payment of a rate.

Reductions and rebates

Reductions and rebates on rates may be granted to the following categories of owners of properties:

indigent owners; owners dependant on pensions or social grants for their livelihood; owners temporarily without income; owners of property situated within an area affected by—

- (i) a disaster within the meaning of the Disaster Management Act, 2002(Act No. 57 of 2002); or
- (ii) any other serious adverse social or economic conditions;
- (e) owners of residential properties with a market value lower than an amount determined by council;

properties on which national monuments are situated, but where business or commercial activities are conducted in respect of such monuments;
agricultural properties, but the following criteria has to be applied by Council in respect of such rebates:

- (i) the extent of services provided by Council in respect of such properties;
- (ii) the contribution of agriculture to the local economy;
- (iii) the extent to which agriculture assists in meeting the service delivery and development obligations of the council; and
- (iv) the contribution of agriculture to the social and economic welfare of farm workers;

state-owned properties; or
formal and informal
settlements.

Other impermissible rates

- (a) Council may not levy a rate:
 - (i) on the first 30% of the market value of public service infrastructure with effect from the implementation of the valuation roll compiled in terms of this Act;
 - (ii) on those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or of a botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, business, agricultural or residential purposes;

- (iii) on a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship with effect from the implementation of the valuation roll compiled in terms of this Act;.
- (b) In addition to the foregoing, and as from 1 JULY 2015, the first R30 000 of the market value of all residential properties and of all properties used for multiple purposes, provided one or more components of such properties are used for residential purposes, is exempt from payment of rates in terms of Section 17(1)(h) of the Property Rates Act.
- (c) In respect of indigents' property rates, the rebate shall be 100% of the rates based on the rateable value up to R60 000 and 75% of the rates based on the rateable value above R60 000.

4.8 Reporting

- (a) The municipal manager must annually table in the Council:
 - (i) a list of all exemptions, reductions and rebates granted by the municipality during the previous financial year; and
 - (ii) a statement reflecting the income, which the municipality has forgone during the previous financial year by way of such exemption, reductions and rebates.
- (b) All exemptions, reductions and rebates projected for a financial year must be reflected in the municipality's annual budget for that year as income on the revenue side and expenditure on the expenditure side.

4.9 Limits on annual increases of rates

Council shall, in imposing the rate for each financial year, revert to the requirements of Section 20 of the Act.

LIABILITY FOR RATES

Method and time of payment

THEMBELIHLE MUNICIPALITY shall recover rates on a monthly basis, calculated in 12 equal monthly instalments, payable on/or before due date as depicted on the monthly statement. Council can

recover a rate annually, as may be agreed to with the owner of that property, and will be payable on or before 30 September of that current year.

Accounts to be furnished

5.2.1 THEMBELIHLE MUNICIPALITY shall furnish each person liable for the payment of a rate with a written account specifying— (a) the amount due for rates payable;

(b) the date on or before which the amount is payable;

(c) how the amount was calculated;

(d) the market value of the property;

(e) if the property is subject to any compulsory phasing-in discount in terms of section 21 of the Act, the amount of the discount.

5.2.2 An owner is liable for payment of a rate whether or not that person has received a written account. The furnishing of accounts for rates in terms of this section is subject to section 102 of the Municipal Systems Act.

Recovery of rates in arrears from tenants, occupiers and agents

5.3.1 If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined, council may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier. An amount may only be recovered after council has served a written notice on the tenant or occupier.

5.3.2 The amount that council may recover from the tenant or occupier of the property is limited to the amount of the rent or other money due and payable, but not yet paid, by the tenant or occupier to the owner of the property. Any amount council recovers from the tenant or occupier of the property must be set off by the tenant or occupier against any money owned by the tenant or occupier to the owner.

5.3.3 The tenant or occupier of a property must, on request by council, furnish council with a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period determined by council.

5.3.4 Council may, despite the Estate Agents Affairs Act, 1976 (Act No. 112 of 1976), recover the amount due for rates on a property in whole or in part from the agent of the owner, but only after council has served a written notice to this effect, on the agent.

5.3.5 The amount council can recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the owner, less any commission due to the agent.

5.3.6 The agent must, on request by council, furnish council with a written statement specifying all payments for rent on the property and any other money received by the agent on behalf of the owner during a period determined by council.

Amendment of rates

- (a) The policy will be phased in over a period of three (3) years and the municipality shall not distinguish between the differences in levying rates on the market value of land and improvements respectively in this period.
- (b) Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of
the current valuation roll. In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

GENERAL VALUATION OF RATEABLE PROPERTY

6.1 Frequency of valuations

THEMBELIHLE MUNICIPALITY shall prepare a new valuation roll every 4 (four) years and supplementary valuation rolls at least every 12 (twelve) months.

Designation of municipal valuer

Council must, before the date of valuation, designate a person as municipal valuer. An open, competitive and transparent process in accordance with Chapter 11 of the Municipal Finance Management Act will be followed in appointing said valuer.

Valuation

Property must be valued in accordance with generally recognised valuation practices, methods and standards, and the provisions of the Act.

Sebata System

The Sebata computer program is in use at THEMBELIHLE MUNICIPALITY to assist in the valuation process. This computer program uses property data as it occurs on council's financial database. After data was collected during physical inspection of the properties and captured into the Sebata program, properties are electronically valued. Information applicable to management is now available. The valuation roll is then printed and available for public inspection. Notices are generated by the system for delivery to the property owners. After completion of the valuation process, the information is electronically transferred to council's financial database.

Interim valuation debits

When property is transferred to a new owner and a supplementary valuation is conducted at the same time, council shall hold the previous as well as the new owner, jointly and severally liable for the amount due in respect of the interim account.

Clearance certificate

- (a) A rates clearance certificate will be issued in terms of Section 118 of the Local Government: Municipal Systems Act, 2000, Act No. 32 of 2000, and will be valid till 30 June, following the date of application received.
- (b) If an amount liable for rates levied in respect of a property which formed part of a Municipal Housing Scheme, is unpaid by the owner and the property needs to be transferred, a rates clearance certificate will only be issued upon payment of the current account and after completion of an agreement for any municipal services in arrears, subject to Council's Credit Control and Debt Collecting Policy.

Transfers affected may be one of the following:

- (i) Transfer of a property from the THEMBELIHLE MUNICIPALITY to the new owner;
- (ii) Transfer of a property from one spouse to the other;
- (iii) Transfer of a property from the owner (parent) to a child.

BY-LAWS

- 7.1 The principle contained in this policy will be reflected in the various by-laws as promulgated and adjusted by Council from time to time.

ANNEXURE 2: TARIFF POLICY

TARIFF POLICY (Adopted by Council on March 2015)

1. INTRODUCTION AND LEGISLATIVE REQUIREMENTS

- 1.1 In terms of section 62 (1) of the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003, the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that, inter alia, the municipality has and implements a tariff policy referred to in section 74 of the Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended.
- 1.2 In terms of section 74 of the Municipal Systems Act the municipal council hereby adopts a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.
- 1.3 This policy has been compiled in accordance with:-
 - 1.3.1 The Constitution of the Republic of South Africa, Act no 108 of 1996 as amended;
 - 1.3.2 Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended;
 - 1.3.3 Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003;
 - 1.3.4 Local Government: Municipal Property Rates Act (MPRA), Act no 6 of 2004;
 - 1.3.5 Thembelihle Municipality Property Rates Policy as reviewed annually.

2. DEFINITIONS AND ABBREVIATIONS

"Account" means an account rendered specifying charges for municipal services provided by the municipality, or any authorised and contracted service provider, and which account may include assessment rates levies.

"Accounting officer" means the municipal manager appointed in terms of Section 60 of the Municipal Finance Management Act.

"Annual budget" shall mean the budget approved by the municipal council for any particular financial year, and shall include any adjustments to such budget.

"Arrangement" means a written agreement entered into between the municipality and the customer where specific repayment parameters are agreed to. Such arrangement does not constitute a credit facility envisaged in terms of section 8(3) of the National Credit Act but is deemed to be Incidental Credit as envisaged in terms of section 4(6)(b) read with section 5(2) and (3) of the National Credit Act.

"Basic municipal services" shall mean a municipal service necessary to ensure an acceptable and reasonable quality of life, which service – if not provided – would endanger public health or safety or the environment.

"Business and commercial property" means -

- (a) property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or
- (b) property on which the administration of the business of private or public entities take place;

"By-law" shall mean legislation passed by the council of the municipality, and which shall be binding on the municipality and on the persons and institutions to which it applies.

"Category" –

- (a) in relation to a property, means a category of properties determined in terms of section 8(2) of the Act;
- (b) in relation to the owners of property, means a category of owners determined in terms of section 15(2) of the Act;

"Chief financial officer" means a person designated in terms of section 80 (2) (a) of the Municipal Finance Management Act.

"Consumer price index" shall mean the CPIX as determined and gazetted from time to time by the Statistician General.

"Councillor" shall mean a member of the Council of the municipality.

"Domestic customer or user" of municipal services shall mean the person or household which municipal services are rendered in respect of "residential property" as defined below.

"Electricity charges" means service charges in respect of the provision of electricity.

"Farm property or small holdings used for agricultural purpose" – means property that is used for the cultivation of soils for purposes of planting and gathering in of crops; forestry in the context of the planting or growing of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish, but excludes the use of a property for the purpose of eco-tourism; and in the respect of property on which game is reared, trade or hunted, it excludes any portion that is used for commercial or business purposes.

“Farm property not used for any purpose” means agricultural property which is not used for such purpose, regardless of whether such portion of such property has a dwelling on it which is used as a dwelling and must be regarded as residential property.

“Financial year” shall mean the period starting from 1 July in any year and ending on 30 June of the following year.

“Indigent customer” means the head of an indigent household:-

(a) who applied for and has been declared indigent in terms of Council's Indigent Support Policy for the provision of services from the municipality; and

(b) who makes application for indigent support in terms of Council's Indigent Support Policy on behalf of all members of his or her household;

“Indigent Support Programme” means a structured program for the provision of indigent support subsidies to qualifying indigent customers in terms of the Council's Indigent Support Policy.

“Indigent Support Policy” means the Indigent Support Policy adopted by the Council of the municipality.

“Integrated development plan” shall mean a plan formulated and approved as envisaged in Section 25 of the Municipal Systems Act 2000, as amended.

“Industrial property” – means property used for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity;

“Local community” or **“community”**, in relation to the municipality, shall mean that body of persons comprising the residents of the municipality, the ratepayers of the municipality, any civic organisations and non-governmental, private sector or labour organisations or bodies involved in local affairs within the municipality, and visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality.

“Month” means one of twelve months of a calendar year.

“Municipality” or **“municipal area”** shall, where appropriate, mean the geographic area, determined in terms of the Local Government: Municipal Demarcation Act No. 27 of 1998 as the municipal area pertaining to the municipality.

“the municipality” means Thembelihle Local Municipality.

“Municipal council” or **“council”** shall mean the municipal council of Thembelihle Local Municipality as referred to in Section 157(1) of the Constitution.

“Municipal manager” shall mean the person appointed in terms of Section 82 of the Municipal Structures Act, 1998.

“Multiple purposes” in relation to a property, shall mean the use of a property for more than one purpose.

“Municipal service” has the meaning assigned to it in terms of Section 1 of the Municipal Systems Act.

“Municipal tariff” shall mean a tariff for services which the municipality may set for the provision of a service to the local community, and may include a surcharge on such service. Tariffs for major services shall mean tariffs set for the supply and consumption or usage of electricity, water, sewerage and refuse removal, and minor tariffs shall mean all other tariffs, charges, fees, rentals or fines levied or imposed by the municipality in respect of other services supplied including services incidental to the provision of the major services.

“Occupier” means any person who occupies, controls or resides on any premises, or any part of any premises without regard to the title under which he or she so occupies it.

“Owner” in relation to immovable property means -

(a) the person in whom is vested the legal title thereto provided that:-

- (i) the lessee of immovable property which is leased for a period of not less than thirty years, whether the lease is registered or not, shall be deemed to be the owner thereof;
- (ii) the occupier of immovable property occupied under a service servitude or right analogous thereto, shall be deemed to be the owner thereof;

(b) if the owner is dead or insolvent or has assigned his or her estate for the benefit of

his creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be, shall be deemed to be the owner thereof;

- (c) if the owner is absent from the Republic or if his address is unknown to the municipality, any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property, or if the municipality is unable to determine who such person is, the person who is entitled to the beneficial use of such property.

"Pensioner" shall be a domestic customer who have reached the age of 65 with proof of age by means of a certified copy of his/her identity document and approved as a pensioner by the Accounting Officer.

"Premises" includes any piece of land, the external surface boundaries of which are delineated on:

(a) A general plan or diagram registered in terms of the Land Survey Act, (9 of 1927) or in terms of the Deed Registry Act, 47 of 1937; or

(b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, and which is situated within the area of jurisdiction of the municipality.

"Rate" shall mean a municipal rate on property as envisaged in Section 229 (1 (a) of the Constitution.

"Rateable property" shall mean property on which the municipality may in terms of Section 2 of the Municipal Property Rates Act 2004 levy a rate, but excluding property fully excluded from the levying of rates in terms of Section 17 of that Act.

"Ratepayer" shall mean a person who is liable to the municipality for the payment of (a) rates on property in the municipality; (b) any other tax, duty or levy imposed by the municipality; and/or (c) fees for services provided either by the municipality or in terms of a service delivery agreement.

"Rebate" in relation to a rate payable on a property, shall mean a discount granted in terms of Section 15 of the Municipal Property Rates Act, 2004 on the amount of the rate payable on the property.

"Refuse charges" means service charges in respect of the collection and disposal of refuse.

"Residential property" shall mean a property included in the valuation roll in terms of Section 48(2)(b) of the Municipal Property Rates Act, 2004 as residential.

"Residential property" furthermore means improved property that: -

(a) is used predominantly (60% or more) for residential purposes, including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property.

Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes;

(b) is a unit registered in terms of the Sectional Title Act and is used predominantly for residential purposes;

(c) is owned by a share-block company and is used predominantly for residential purposes;

- (d) is a residence used for residential purposes situated on a property used for educational purposes;
- (e) is property which is included as residential in a valuation list in terms of section 48(2)(b) of the Act;
- (f) are retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;

vacant properties (empty stands), hotels, hostels, old-age homes and accommodation establishments, irrespective of their zoning or intended use, have been specifically

excluded from this property category;

"Sewerage charges" means service charges in respect of the provision of sewerage services.

"Small holding" means

- (a) all agricultural zoned land units situated within an urban region with an area of one to three hectares; or
- (b) any agricultural zoned land unit situated outside an urban region with an area of three hectares or less;

"State owned property" excludes any property included in the valuation roll under the category 'residential property' or 'vacant land', but includes any property that is under state control but is still registered in the name of the municipality;

"Tariff" means the scale of rates, taxes, duties, levies or other fees which may be imposed by the municipality in respect of immovable property or for municipal services provided.

"Tariff Policy" means a Tariff Policy adopted by the Council in terms of Section 74 of the Local Government: Municipal Systems Act 32 of 2000.

"Water charges" means service charges in respect of the provision of water.

3. PURPOSE OF THE TARIFF POLICY

- 3.1 Apart from meeting legislative requirements, this policy also emanates from the objectives determined in Council's anti-corruption policy.
- 3.2 The purpose of this tariff policy is to prescribe the accounting and administrative policies and procedures relating to the determining and levying tariffs by the Thembelihle Local Municipality.
- 3.3 The Municipality should perform the procedures set out in this policy to ensure the effective planning and management of tariffs. In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

4. SCOPE OF APPLICATION

4.1 This policy applies to all tariffs charged within the defined boundaries of Thembelihle Local Municipality.

5. BASIC PRINCIPLES TO BE CONSIDERED IN DETERMINATION OF A TARIFF STRUCTURE

- 5.1 Service tariffs imposed by the local municipality shall be viewed as user charges and not as taxes, and therefore the ability of the relevant customer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigent relief measures approved by the municipality from time to time).
- 5.2 The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

- 5.3 Tariffs for the four major services rendered by the municipality, namely Electricity, Water, Sewerage and Refuse Removal, shall as far as possible recover the expenses associated with the rendering of each service concerned, and where feasible, generate a modest surplus as determined in each annual budget. Such surplus shall be applied in relief of property rates or for the future capital expansion of the service concerned, or both.
- 5.4 The tariff which a particular customer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.
- 5.5 The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and customers in the municipal region.
- 5.6 In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and customers in regard to the tariffs which it levies. Such differentiation shall however at all times be reasonable and shall be fully disclosed in each annual budget.
- 5.7 The municipality's tariff policy shall be transparent, and the extent to which there is cross- subsidisation between categories of customers or users shall be evident to all customers or users of the service in question.
- 5.8 The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all customers and users affected by the tariff policy concerned.
- 5.9 The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.
- 5.10 In the case of conventional metering systems for electricity and water, the consumption of such services shall be properly metered by the municipality and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on customers shall be proportionate to the quantity of the service which they consume. In addition, the municipality shall levy a monthly fixed charge for electricity and water services.
- 5.11 In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

- 5.12 In case of vacant stands, where the services are available but not connected, the municipality shall levy a monthly availability charge which is levied because of fixed costs such as the capital and maintenance costs and insurance of infrastructure available for immediate connection. This principle also applies to vacant stands in areas serviced through septic tanks.

6. FACTORS TO BE CONSIDERED IN THE DETERMINATION OF A TARIFF STRUCTURE

6.1 Financial Factors

- 6.1.1 The primary purpose of a tariff structure is to recover the actual costs of the rendering of a particular service to avoid cross subsidising of services.

6.1.2 In order to determine the tariffs which must be charged for the supply of the four major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:-

6.1.2.1 Cost of bulk purchases in the case of water and electricity.

6.1.2.2 Distribution costs.

6.1.2.3 Distribution losses in the case of electricity and water.

6.1.2.4 Depreciation expenses.

6.1.2.5 Maintenance of infrastructure and other fixed assets.

6.1.2.6 Cost of approved indigent relief measures and cross subsidising of low consumption.

6.1.2.7 Administration and service costs, including:-

- (a) service charges levied by other departments such as finance, human resources and legal services;
- (b) reasonable general overheads, such as the costs associated with the Office of the Municipal Manager;
- (c) adequate contributions to the provisions for bad debts and obsolescence of stock; and
- (d) all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenue, and shall not be included in the costing of the major services of the municipality).

6.1.2.8 The intended surplus to be generated for the financial year. Surplus to be applied:-

- (a) as an appropriation to capital reserves; and/or
- (b) generally in relief of rates.

6.2 Socio-economic factors

6.2.1 Although the determination of tariffs is in many instances politically orientated, it ought to be based on sound, transparent and objective principles at all times. In order to fully understand the influence of the socio-economic factors the various user categories and forms of subsidisation needs to be considered. Tariffs should also support business initiatives aimed at creating jobs or contribute to the economy of the area.

6.2.2 Users can be divided into the following categories:-

6.2.2.1 Users who are incapable to make any contribution towards the consumption of services and who are fully subsidised;

- 6.2.2.2 Users who can afford the cost of the services in total.
- 6.2.3 It is important to identify these categories and to plan the tariff structures accordingly. Subsidies currently derived from two sources namely:-
 - 6.2.3.1 Contributions from National Government: National Government makes an annual contribution according to a formula, which is primarily based on information obtained from Statistics South Africa by means of census surveys. If this contribution is judiciously utilised it will subsidise all indigent households who qualify in terms of the Council policy.
 - 6.2.3.2 Contributions from own funds: The Council can, if the contribution of National Government is insufficient, provide in its own operational budget for such support. Such action will in all probability result in increased tariffs for the larger users. Any subsidy must be made known publicly.
- 6.2.4 To make provision for subsidisation the tariff structure can be compiled as follow:-
 - 6.2.4.1 Totally free services (within limits and guide lines);
 - 6.2.4.2 Full tariff payable with a subsidy that is transferable from sources as mentioned above.
- 6.3 Minimum service levels
 - 6.3.1 It is important that minimum service levels be determined in order to make an affordable tariff package available to all potential users.
- 6.4 Credit Control
 - 6.4.1 It is not possible to successfully compile a tariff structure without consideration of the stipulations of an effective credit control system. Income is provided for in the budget as if a 100% payment level will be maintained. It is therefore important to continuously ensure that users indeed pay punctually. Non-payment has a direct effect in that provision for bad debt, in accordance with current payment levels, must be provided as expenditure in the budget.
 - 6.4.2 However, it is also a fact that there are users who are unable to pay. Tariffs must

therefore provide access to a minimum level of basic services for all users. It should furthermore be supplemented with a practical policy for indigents. This will ensure the sustainable delivery of services. In addition, adequate provision should be made on an annual basis for bad debt/ working capital in accordance with current payment levels.

6.5 Package of services

- 6.5.1 The accounts for rates and services must not be seen in isolation. It must be considered jointly to determine the most affordable amount that the different users can pay as a total account. The basic costs of a service must first of all be recovered and then only can profits be manipulated to determine the most economic package for the user with due allowance for future events in regard to a particular service.

6.6 Historical and future user patterns

- 6.6.1 It is important to keep accurate consumption statistics for the purpose of determining tariffs. Consumption determines tendencies, which ultimately have an influence on tariffs within a

structure. Provision should be made in the process for growth and seasonal use, as well as for unforeseen events that may have an impact on tariffs.

6.7 User groups

6.7.1 Users are traditionally divided into user groups as set out below:-

6.7.1.1 Domestic (Residential);

6.7.1.2 Businesses/ Commercial;

6.7.1.3 Industries/Bulk customers;

6.7.1.4 Farm properties (agricultural);

6.7.1.5 Accommodation establishments (guest houses);

6.7.1.6 Municipal consumption (departmental charges); and

6.7.1.7 Institutions that may be directly subsidised for example retirement homes, schools and hostels, sport organisations, etcetera.

6.7.1.8 Special arrangements for specific developments as may be determined by Council from time to time.

6.7.2 A continuous effort should be made to group together those users who have more or less the same access to a specific service.

7. FREE BASIC SERVICES

7.1 Free basic municipal services refer to those municipal services necessary to ensure an acceptable and reasonable quality of life and which service, if not provided, could endanger public health or safety or the environment.

7.2 In terms of the South African Constitution all customers should have access to basic services. Currently, the free basic services provided to the domestic customers within the Thembelihle

Local Municipality are as follows: -

- 7.2.1 The extent of the monthly indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.
- 7.2.2 The general threshold for indigent support is restricted to qualifying households with a combined income amount per month less or equal than an amount determined by Council.

8. REDUCED CHARGES FOR PENSIONERS

Once a domestic customer has been approved as a pensioner, the full monthly account will be discounted by 10% on the condition that payment is made in full prior to or on the due date. This 10% discount will be in addition to the early payment discount of 5% applicable to all users.

9. EARLY PAYMENT DISCOUNT

If payment is received and recorded in the Municipality's records as being paid in full on or before the 5th working day in the month following the statement date, a discount of 5% will be given on the current month's account.

10. TARIFF STRUCTURES FOR VARIOUS SERVICES

10.1 It is essential that a compromise be reached between the following needs with the determination of a tariff structure: -

10.1.1 The need to reflect costs as accurately as possible in order to achieve cost effectiveness;

10.1.2 The need to ensure equality and fairness between user groups;

10.1.3 The need for a practically implementable tariff;

10.1.4 The need to use appropriate metering and provisioning technology;

10.1.5 The need for an understandable tariff; and

10.1.6 The user's ability to pay.

10.2 Taking into consideration the abovementioned points the tariff structure of the following services are discussed:-

10.2.1 Electricity.

10.2.2 Water.

10.2.3 Refuse Removal.

10.2.4 Sewerage.

10.2.5 Property Rates.

10.3 Electricity

10.3.1 To calculate the tariff for electricity, the actual cost incurred in the supply of electricity to the community, has to be taken into consideration. The principle of basic levies as well as a per unit tariff for electricity is determined by the cost structure. This cost structure consists of the following components:-

10.3.1.1 Fixed costs: It represents that portion of expenses that must be incurred irrespective of the fact whether or not any electricity has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of electricity, costs of capital and insurance that is payable in respect of the infrastructure. These costs must be recovered whether any electricity is used or not. The costs are therefore recovered by means of a fixed levy per period (normally as a monthly basic charge) in order to ensure that these costs are covered.

10.3.1.2 Variable costs: It relates to the physical provision of electricity according to consumption/ demand and must be financed by means of a unit tariff which is payable per kWh/KVA electricity consumed.

10.3.1.3 Profit taking: The tariffs for these services are determined in such a way that a NETT trading surplus is realised. Any trading surplus is used to subsidise the tariffs of rate funded services.

10.3.2 The following tariff structures were basically used for the determination of tariffs:-

10.3.2.1 Inclining block tariff (IBT) tariff structure where customers' consumption is divided into

blocks and each subsequent block has a higher energy rate (c/kWh). The tariff structure has been set by NERSA in order to protect/ cross-subsidise low income domestic customers and to promote energy efficiency.

10.3.2.2 Two part tariff (consist of a basic monthly charge plus a variable charge related to metered kWh consumption):-

- Energy rate (c/kWh)
- Basic monthly charge (R/month).

10.3.2.3 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements and/or special circumstances.

10.3.3 An availability fee will be charged on properties not connected to the electricity network should it be available to that property. This fee aims to recoup capital and maintenance costs in respect of such properties. If the owner connects the service with the intention to improve the property the debit will be adjusted pro-rata from the date of the connection.

10.4 Water

10.4.1 Water is a scarce commodity with little alternatives available (contrary to electricity). Tariff structures should therefore be aimed at the reduction of consumption. In order to cut consumption, an inclining block rate tariff structure with a basic fee is applied. In principle, the amount that users pay for water services should generally be in proportion to their use of water services. Tariffs must be set at levels that facilitate the sustainability of the service.

10.4.2 To calculate the tariff for water, the actual cost incurred in the supply of water to the community, has to be taken into consideration. The principle of basic levies as well as a kilolitre tariff for water is determined by the cost structure. Similar to electricity, this

cost structure consists of the following components:-

10.4.2.1 Fixed costs: It represents that portion of expenses that must be incurred irrespective of the fact whether or not any water has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of water, costs of capital and insurance that is payable in respect of the infrastructure. These costs must be recovered whether any water is used or not. The costs are therefore recovered by means of a fixed levy per period (normally on a monthly basis) in order to ensure that these costs are covered.

10.4.2.2 Variable costs: It relates to the physical provision of water according to demand and must be financed by means of a unit tariff which is payable per kilolitre water consumed.

10.4.2.3 Profit taking: The tariffs for these services are determined in such a way that a NETT trading surplus is realised. Any trading surplus is used to subsidise the tariffs of rate funded services.

10.4.3 The following tariff structures were basically used for the determination of tariffs:-

10.4.3.1 Two-leg tariff consisting of a basic charge and a consumption charge for users with conventional meters.

10.4.3.2 An availability fee will be charged to users and/or properties not connected to the water network, should it be available. This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs in respect of such properties. If the owner connects and improve the property the debit will be adjusted pro-rata from the date of the connection.

10.4.3.3 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

10.4.3.4 Inclining block tariff (IBT) tariff structure where customer's consumption is divided into blocks and each subsequent block has a higher consumption rate (c/kl). The tariff structure has been set by Council in order to protect/ cross-subsidise low income domestic customers and to promote water consumption efficiency.

10.5 Refuse Removal

10.5.1 Refuse removal is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

10.5.2 A customer who chooses to do his/her own refuse removal will still be liable for paying the applicable refuse tariff.

10.5.3 The tariff levied by Thembelihle Local Municipality is based on the category of property as determined in the valuation roll.

10.5.4 The following tariff structures were basically used for the determination of tariffs:-

10.5.4.1 Residential (domestic customers) – maximum of one removal per week (black bag system).

10.5.4.2 Accommodation Establishments – maximum of one removal per week (black bag system).

10.5.4.3 Business/ Commercial/ Industrial – maximum of one removal per

week. 10.5.4.4 Government/Banking Institutions - maximum of one removal

per week. 10.5.4.5 Schools/Hotels - maximum of one removal per week.

10.5.4.6 Homes for the Aged – maximum of one removal per week.

10.5.4.7 Additional removals – More than the maximum removals as per 8.5.4.1 - 8.5.4.6.

10.5.4.8 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

10.5.4.9Garden refuse removals – maximum of one removal per week.

10.6 Sewerage

10.6.1 Sewer service is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

10.6.2 The following tariff structures were basically used for the determination of tariffs:-

10.6.2.1The tariff levied for waterborne sewerage systems is based on the type of user as determined by the Municipality.

10.6.2.2The tariff levied for the bucket system will consist of a basic charge.

10.6.2.3Customers who are not connected to the waterborne sewerage network but who can reasonably be connected shall pay an availability tariff.

10.6.2.4Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

10.7 Property Rates

10.7.1 The rate levied by the municipality will be a cent amount in the Rand based on the market value of the property.

10.7.2 In terms of the Municipal Property Rates Act, 2004 the municipality may levy different rates for different categories of rateable property. Differential rating among the various property categories will be done by way of setting different cent amount in the rand for each property category and by way of reductions and rebates as provided for in the municipality's property rates policy.

10.7.3 In terms of section 17 (1) (e) of the Municipal Finance Management Act the municipality's property rates policy must be reviewed on an annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

11. ELECTRICITY TARIFF POLICY

Electricity is supplied under a distribution license, granted by NERSA, for a specific area of jurisdiction, which regulates inter alia the following aspects:-

- a. Classification of customer categories.
- b. Permissible tariff structure options are determined at a national level and distributors are obliged to apply these structures to obtain uniformity.
- c. All tariff structures and tariffs must be approved by NERSA prior to application thereof by a distributor.

11.1 Residential Customers

This tariff covers the supply of electricity for domestic use in private dwellings, flats and chalets with separate meters and includes churches, schools, welfare buildings, hospitals, halls or similar premises with circuit breaker sizes not in excess of 63A single phase or 63A three phase.

Should customers require supplies in excess hereof, the Commercial Customer or Bulk Supply tariff will be applicable.

11.1.1 Customers with Conventional Meters

11.1.1.1 Customers with conventional meters are billed as follow:-

- (a) An availability charge is payable on all properties, where a connection to the electricity network is possible, but not in use.
- (b) Two part tariff:
 - i. Fixed monthly charge (R/month).
 - ii. Energy rate (c/kWh). The energy rate is charged on an inclining block tariff per unit based on the number of kWh consumed which is determined as follows:-

Block 1: 0 to 50 kWh
Block 2: 51 to 350 kWh
Block 3: 351 to 600 kWh
Block 4: >600 kWh

11.1.2 Pre-paid Customers

11.1.2.1 Pre-paid users, if applicable, are charged at an inclining block tariff per unit based on the number of kWh purchased, which is determined as follows:-

Block 1: 0 to 50 kWh
Block 2: 51 to 350 kWh
Block 3: 351 to 600 kWh
Block 4: >600 kWh

11.1.2.2 Should the customer have any municipal arrears, the auxiliary payment system may be activated for the gradual payment of the arrears as a percentage of purchases.

11.1.2.3 Registered Indigents receive a number of kWh units fully subsidised every month, as determined by Council on an annual basis. Where possible, Council may limit the supply to indigent consumers to 20A single phase.

11.2 Commercial/ Business Customers/ Accommodation Establishments

This tariff covers the supply of electricity to shops, office buildings, hotels, accommodation establishments, clubs, industrial undertakings, Builder's supplies or similar premises with circuit breaker sizes not in excess of 63A single phase or 100A three phase.

Should customers require supplies in excess hereof, the Non-standard tariff will be applicable.

11.2.1 Customers with Conventional Meters

11.2.1.1 Customers with conventional meters are billed as follow:-

- (a) An availability charge is payable on all properties, where a connection to the electricity network is possible, but not in use.
- (b) Two part tariff:
 - i. Fixed monthly charge (R/month).
 - ii. Energy rate (c/kWh). The energy rate is charged at a single rate tariff per unit based on the number of kWh consumed.

11.2.2 Pre-paid Customers

11.2.2.1 Pre-paid users, if applicable, are charged at a single rate tariff per unit based on the number of kWh purchased.

11.2.2.2 Should the customer have any municipal arrears, the auxiliary payment system may be activated for the gradual payment of the arrears as a percentage of purchases or the blocking of purchases will be introduced.

11.3 Non-standard Customers

11.3.1 The Non-standard tariff is for Customers with a notified maximum demand of 71kVA or more or who require a supply greater than a 100Amp three phase circuit breaker size.

11.3.2 These customers are billed as follow:-

- (a) An availability non-standard charge is payable on all properties, where a connection to the electricity network is possible, but not in use.
- (b) Two part tariff:

- i. Fixed Non-standard monthly charge (R/month).
- ii. Non-standard energy rate (c/kWh). The energy rate is charged on an inclining block tariff per unit based on the number of kWh consumed which is determined as follows:-

Block 1: 0 to 50 kWh
Block 2: 51 to 350 kWh
Block 3: 351 to 600 kWh
Block 4: >600 kWh

11.4 Special Arrangements

- 11.4.1 Other tariffs may be applicable which has been determined by the Manager: Technical Services or Council by special agreement with specific clients. This will only be considered when special circumstances prevail.

11.5 Departmental

- 11.5.1 The respective Commercial and Bulk Supply tariffs as per Item No's 9.2 and 9.3 above will be applicable to all municipal buildings, pump stations, waste water works, water treatment works, etc.

11.6 Electricity sundry tariffs

- 11.6.1 All other electricity related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

12. WATER TARIFF POLICY

12.1 Domestic /Commercial /Business /Accommodation Establishments

12.1.1 Customers are billed as follow:-

- 12.1.1.1 All users receive 6kl of water free every month, if approved by Council on an annual basis.

- 12.1.1.2 An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.

- 12.1.1.3 A basic charge is payable on all properties that are connected to the water network, regardless of whether any water is used.

- 12.1.1.4 Registered Indigents receive their subsidy on the basic levy for water every month, as determined by Council on an annual basis.

- 12.1.1.5 Registered Indigents receive an amount of water fully subsidised every month, as determined by Council on an annual basis.

12.1.1.6 Domestic customers are billed for consumption based on the amount of water used by way of a step tariff per kilolitre usage in the following blocks:-

(a) 1 to 6 kl

(b) 7 to 15 kl

(c) 16 to 25 kl

(d) > 25 kl

12.2 Businesses and Industries

12.2.1 Customers are billed as follow:-

12.2.1.1 An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.

12.2.1.2 A basic charge is payable on all properties that are connected to the water network, regardless of whether any water is used.

12.2.1.3 Customers are billed for consumption based on the amount of water used by way of a step tariff per kilolitre usage in the following blocks:-

(a) 1 to 60kl

(b) 61 kl and above

12.3 All other Customers

12.3.1 All other customers are billed as follow:-

12.3.1.1 An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.

12.3.1.2 A basic charge is payable on all properties that are connected to the water network, regardless of whether any water is used.

12.3.1.3 Customers are billed for consumption at a fixed tariff per kilolitre based on the number of kilolitres consumed.

12.4 Special Arrangements

12.4.1 Where two or more dwellings/ flats/ offices are feeding from one main connection to a property, the customers are billed as follow:-

12.4.1.1 A basic charge is payable on all properties that are connected to the water network, regardless of whether any water is used.

12.4.1.2 Customers are billed for consumption based on the amount of water used by way of a step tariff per kilolitre usage as per 10.1.1.6.

12.5 Water Restrictions

12.5.1 The availability of bulk water resources will be monitored throughout the year by Council.

12.5.2 When so required, Council will take a resolution to implement water restrictions.

12.5.3 Any penalties payable on water consumption as a result of water restrictions will be implemented in the month following the Council resolution; regardless of the meter reading dates (water consumed prior to the resolution date may therefore also be subject to penalties).

12.6 Water Sundry Tariffs

12.6.1 All other water related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

13. REFUSE TARIFF POLICY

13.1 Refuse Removal Tariffs

13.1.1 The tariff levied by Thembelihle Local Municipality is based on the category of property as determined in the valuation roll.

13.1.2 The Council has determined the following categories for refuse removal:-

13.1.2.1 Residential (domestic customers) – maximum of one removal per week (black bag system).

13.1.2.2 Accommodation Establishments – maximum of one removal per week (black bag system).

13.1.2.3 Business/ Commercial/ Industrial – maximum of one removal per week.

13.1.2.4 Government/Banking Institutions - maximum of one removal per week.

13.1.2.5 Schools/Hotels - maximum of one removal per week.

13.1.2.6 Homes for the Aged – maximum of one removal per week.

13.1.2.7 Additional removals – More than the maximum removals as per 8.5.4.1 - 8.5.4.6.

13.1.2.8 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

13.1.2.9 Garden refuse removals – maximum of one removal per week.

13.1.2.10 Special tariff arrangements determined and approved by Council from time to time for specific developments. In terms of the current arrangements, all developments with ten or more units that have created a central collection point for refuse will qualify for a reduced tariff as determined by Council on an annual basis.

13.1.3 Registered Indigents receive their refuse removal service subsidised every month, as determined by Council on an annual basis.

13.2 Refuse Removal Sundry Tariffs

13.2.1 All other refuse removal related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

14. SEWERAGE TARIFF POLICY

14.1 Sewerage Systems (both waterborne and bucket systems)

14.1.1 The following tariff structures were basically used for the determination of tariffs:-

14.1.1.1 The tariff levied for waterborne sewerage systems is based on the type of user as determined by the Municipality.

14.1.1.2 The tariff levied for the bucket system will consist of a basic charge.

14.1.1.3 Customers who are not connected to the waterborne sewerage network but who can reasonably be connected shall pay an availability tariff.

14.1.1.4 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

14.1.2 Registered Indigents receive their basic levy for sewerage service subsidised every month, as determined by Council on an annual basis.

14.2 Special Arrangements

14.2.1 Where two or more dwellings/ flats/ offices are feeding from one main connection to a property, the customers are billed as follow:-

14.2.1.1 A basic charge is payable on all properties that are connected to the sewerage network based on the size of the smallest water connection (20mm).

14.3 Sewerage sundry tariffs

14.3.1 All other sewerage related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

15. PROPERTY TAX POLICY

15.1 Property Tax Tariffs

15.1.1 Property rates are levied as determined by Council from time to time and is covered in the Property Rates Policy and Bylaw of the Thembelihle Municipality.

15.1.2 Any property that is under state control but is still registered in the name of the municipality shall be liable for property tax as provided for in the Property Tax Policy and Credit Control Policy and By-Law of the municipality;

15.2 Property Tax Sundry Tariffs

13.2.1 All other property tax related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

16. SUNDRY TARIFFS

16.1 A variety of sundry tariffs are applied to recoup costs of sundry services to the public. All such tariffs are based on cost of supply, but individual tariffs may be set at:-

16.1.1 Subsidised levels;

16.1.2 Levels reflecting actual cost; or

16.1.3 Levels producing profits.

16.2 The level at which the Council sets a sundry service tariff, takes into account factors such as:-

16.2.1 Affordability;

16.2.2 Socio-economic circumstances;

**CUSTOMER CARE, CREDIT CONTROL AND REVENUE
MANAGEMENT POLICY
(Adopted by council on xxxx May 2017)**

16.2.3 Utilisation of amenities and resources;

16.2.4 National and regional agreements and provisions; and

16.2.5 Any other factors influencing such decisions.

16.3 Sundry tariffs and structures will be revised at least once a year, during the annual budgeting process.

16.4 The Mayor or a Councillor may motivate in writing to the Accounting Officer to reduce a Sundry Tariff under warranted and in exceptional instances to either reduce the Sundry Tariff or to levy no tariff at all. The Accounting Officer will then consider and take a decision on the matter. It must be borne in mind that where direct costs such as overtime are involved, an amount not lower than the additional direct costs should be considered.

17. IMPLEMENTATION AND REVIEW OF THIS POLICY

17.1 This policy shall be implemented once approved by Council. All future tariff charges must be considered in accordance with this policy.

17.2 In terms of section 17(1)(e) of the Municipal Finance Management Act this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

**ANNEXURE 3: CUSTOMER CARE, CREDIT CONTROL AND REVENUE MANAGEMENT
POLICY**

P R E A M B L E

WHEREAS section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) requires a
municipality to adopt, maintain and implement a credit control and debt collection policy;

AND WHEREAS section 97 of the Systems Act prescribes what such policy must provide for;

NOW THEREFORE the Municipal Council of the Municipality of Thembelihle adopts the policies as
set out in this document.

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*Part 1: Application for supply and service agreements, credit screening, deposits, billing and payment, and termination
of service agreements*

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